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Airbus in Ascendancy Europe Jetmaker Claims Half the Market

By Barry James
International Herald Tribune

PARIS — Airbus Industrie said Monday it had achieved its goal of winning half of the world market for big commercial jets, and company executives said the European consortium was in a position to compete on an equal basis with Boeing Co. of the United States.

John Leahy, the vice president for commercial affairs, said Airbus had come through the Asian financial crisis relatively unscathed. Boeing has blamed the crisis, along with aggressive pricing by Airbus, for a slump that has led it to plan thousands of layoffs.

Mr. Leahy said Airbus considered the Asian crisis to have "bottomed out."

Airbus reported 556 firm orders valued at \$39 billion in 1998 in addition to commitments by airlines — letters of intent or memorandums of understanding — for a further 174 aircraft, raising the total to 730.

The 556 orders, all for aircraft with 125 or more seats, represented a 20 percent increase in sales and a 30 percent increase in value over 1997, the Airbus president, Noel Forgeard, said.

Boeing said last week that it received orders for 656 planes in 1998, 15 percent more than in 1997.

but that those orders' total value, \$42.2 billion, represented a drop from the previous year because a greater proportion were for smaller and less profitable aircraft.

Mr. Forgeard said the four-nation European consortium last year delivered 229 aircraft valued at \$13.3 billion, compared with \$11.6 billion the previous year, and said Airbus had a record four-year backlog of orders for 1,309 aircraft worth \$92.7 billion.

Boeing last year delivered a record 563 aircraft and said it expected to increase the total to 620 in 1999. But it suffered a loss-making litany of problems as it ramped up production facilities.

Mr. Leahy said Airbus differed from Boeing in that it was seeking a steadier growth in production capability, rather than aiming for the peaks.

With civil aviation industry in one of its cyclical downturns, Mr. Forgeard said sales would probably slow this year from the record number last year. Nevertheless, he said the peaks and the troughs of the cycle were less extreme than in the past and that the company would not have to revise plans to increase output at sites in Hamburg and Toulouse, France.

Mr. Forgeard predicted that Airbus would be producing more than 300 aircraft a year in 2000, enough to satisfy nearly half the expected annual



Noel Forgeard, president of Airbus, announcing the jetmaker's sales for 1998 on Monday.

demand for between 600 and 700 commercial aircraft.

Airbus began operations in 1970, manufacturing a single aircraft type, the twin-engined wide-body A300, and has to date delivered 1,894 planes. It now competes directly with Boeing in every sector of the market except the largest and

the smallest. Last year it announced that it would produce the A318, a short-range aircraft with capacity for about 100 seats, to compete with the MD-95 model that Boeing took over when it acquired McDonnell Douglas Corp.

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Secularist In Turkey Forms New Government

Parliament's Approval Expected for Ecevit's Minority Leftist Cabinet

By Stephen Kinzer
New York Times Service

ISTANBUL — Turkey's six-week-old political crisis appeared to end Monday when a strongly secular politician, Bülent Ecevit, announced that he had assembled a minority government. It is expected to win parliamentary approval by Sunday.

The country has been without a functioning government since Nov. 25, when Prime Minister Mesut Yılmaz, who was implicated in a corruption scandal, lost a confidence vote in Parliament. He has remained in office as a caretaker.

It is uncertain how long Mr. Ecevit will remain in power. An election is scheduled for April, but President Süleyman Demirel and powerful military commanders want to postpone it. They fear that a quick election will produce new gains for the Islamic political movement.

Mr. Ecevit's government will be the sixth since the last election, in December 1995. That election led to a government headed by the Islamic leader Necmettin Erbakan. His policies angered the country's military commanders, who are committed to secularism, and they orchestrated a campaign that led to his resignation after one year in office.

In the political bickering that has split the country since then, Mr. Ecevit has solidified his position as one of Turkey's most steadfast secularists. He is also a strong nationalist, and is remembered as the prime minister who ordered troops to Cyprus in 1974 in what he described as a "peace operation" to protect the Turkish minority there. These convictions make him acceptable to the military despite the fact that he is a lifelong leftist.

The cabinet that Mr. Ecevit presented Monday is made up almost entirely of members of his own Democratic Left Party. Although the party is a minority in Parliament, other power brokers have signaled that they will support it.

Key figures from the outgoing government will keep their jobs, among them Foreign Minister İsmail Cem, who is considered pro-Western; Finance Minister Zekeriya Temizel, whose immediate task will be to help negotiate a new loan agreement with the International Monetary Fund; and Education Minister Hikmet Ulubay, who has angered some Muslims with his campaign against religious influence in schools and universities.

Mr. Ecevit has been a political figure in Turkey for more than 40 years, beginning with his first election to Parliament in 1957. In the 1970s he served three terms as prime minister.

He is one of a handful of elderly politicians who have, depending on one's point of view, given Turkey political continuity or kept it in the grip of an unresponsive elite.

Among the most fateful of Mr. Ecevit's policies was his work in the 1970s to prevent Turkey from joining the European Union, then called the European Community. He believed it represented capitalist forces seeking to dominate Turkey and pull it away from its allies in the Middle East. Turkey is now committed to joining the Union, but no longer finds the climate as welcoming as it was then.

Mr. Ecevit is the godfather of Turkey's political left. He has maintained his convictions even in the face of trials, assassination attempts and prison terms. Critics say he clings to outdated views.

See TURKEY, Page 8

Tide Turning As UN States Look to Ease Iraq Embargo

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — At a new Security Council takes shape and returns this week to the unfinished business of Iraq, a strong consensus is forming here and in the Arab world that Saddam Hussein's government must remain under tight international sanctions indefinitely — but that now is the time to free millions of other Iraqis from a crippling economic embargo.

For the council, the major problem is how to achieve this without giving any ground, real or psychological, to President Saddam, whom even some Arab countries now openly condemn and would like to see replaced. No one, however, has put forward a plan for winning Iraq's cooperation or creating an enforcement system.

The council will meet Tuesday to look at the relief situation in Iraq, the president for January, Celso Amorim of Brazil, said Monday.

"Before we're able to address the broader political issues of Iraq," he said, "we have to address some concrete steps that can be taken both on the humanitarian file and the disarmament file."

Acknowledging the inertia that has seized the council on the subject of Iraq, Mr. Amorim, said: "There was a general feeling that the Security Council has to deal substantively with the issue, which it hasn't been doing for the past two or three weeks."

For the Clinton administration, which has so far offered no new ideas, the growing consensus for change will make it increasingly difficult to keep sanctions intact and still seek to alleviate the deprivation of ordinary Iraqis by raising the amount of money Iraq would be permitted to sell under the "oil for food" program.

The United States is finding that the core group opposed to its policies on Iraq, formed around Russia, China, France, and sometimes Brazil, has strengthened with the entry of at least two new council members, Malaysia and Namibia, which will hold two-year rotating seats. Diplomats say that both, but Malaysia especially, have already appealed to back Russia's determined intention of lifting sanctions and restructuring completely the arms inspection system.

Nonpermanent council members do not have votes, but they have voices that strengthen a majority opinion, forcing even a powerful nation to consider the diplomatic consequences of flouting a consensus.

Monday in Moscow, the Foreign Ministry called again for the dismissal of Richard Butler, the executive chairman of the UN Special Commission, known as Unicom, which has been responsible for disarming Iraq since the

The Dollar		
New York	Monday 8:45 P.M.	previous close
Euro	1.1497	1.1576
Pound	1.6295	1.6422
Yen	108.675	111.03
DM	1.7012	1.6868
FF	5.7055	5.6656
Dollars per pound and per ounce		
The Dow		
Monday close	9,619.88	— 0.24%
— 23.43	9,619.88	— 0.24%
S & P 500		
Monday close	1,263.81	— 0.88%
Nasdaq		
Monday close	2,084.92	— 1.99%
AGENDA		

Rebels on the Run In Sierra Leone		
WASHINGTON —	With the Senate unlikely to muster 67 votes for conviction, what is at stake for President Bill Clinton as his impeachment trial begins in earnest this week may not be whether he remains in office but how this episode and his presidency will be viewed by history.	
	Mr. Clinton, long obsessed about his legacy, now accepts that he will never be able to erase the taint of being only the second president ever impeached. But the way the trial is conducted and how senators conclude it, even assuming they do not convict Mr. Clinton, could determine whether future generations remember him as a scandalous rogue crippled by his philandering and deceit or a talented president victimized by a partisan and puritanical witch hunt.	
	And so for a White House that has made a fine art out of spinning the latest news cycle, the challenge now is figuring out a way to spin history.	
	The president's allies have wasted little time in this endeavor, making their first stab at it on the same day that Mr. Clinton was impeached by the House for "high crimes and misdemeanors." Within hours of the votes, Vice Presi-	

Tintin, 70, Returns As Europe Symbol		
Tintin, the adventurous comic-book character invented by the Belgian cartoonist known as Hergé, is celebrating his 70th birthday, and some see him as an apt symbol for Homo europeus, the collective European figure the EU will try to promote. Page 2.		
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The IHT on-line: www.iht.com	

To Clinton, History's the Real Judge

White House Is Already Busy Putting a Spin on President's Record

By Peter Baker
Washington Post Service

ident Al Gore appeared at Mr. Clinton's side on the South Lawn to declare that the House action "does a great disservice to a man I believe will be regarded in the history books as one of our greatest presidents."

In aiming his remarks not at the Senate jurors but at posterity, Mr. Gore set the tone for a White House interpretation that aides hope in cement as the trial unfolds — that the prosecution of the president, no matter how it concludes, has been illegitimate and will be viewed that way by children studying it

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decades from now. "It was clearly getting that marker down in that direction," said a White House official who did not want to be identified. "It's very debatable how this is going to be looked on and obviously we want to push that view of things."

In the weeks since the House approved two articles of impeachment on Dec. 19, White House strategy deliberations have been filtered in part through that same legacy lens, particularly to seek a full trial and acquittal vs. short-circuiting the process through a congressional resolution that would censure Mr. Clinton while leaving him in office.

Although the president has said he would accept censure to avoid a drawn-out battle, confidants say he is tempted at times to hold out for acquittal and nothing else on the theory that such a verdict would vindicate him.

A variety of outside advisers have pressed this view with him and his aides, including the campaign consultant James Carville, the Hollywood producer Harry Thomson, Dale Bumpers, a former Democratic senator from Arkansas, and Senator Tom Harkin, Democrat of Iowa. "The reason I'm in enamored of

influence in schools and universities.

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The Return of Cuban Have-Nots

Adoption of Dollar Splinters a Society That Was Poor but Equal

By James C. McKinley Jr.
New York Times Service

HAVANA — Some days

Remembering the Dead / Demands for Justice

Cambodia Confronts its Past

By Seth Mydans
New York Times Service

PHNOM PENH — "I'm just a small person," said Un Samath, a customs inspector, using a common phrase among Cambodians, "so I dare not say."

But then he got angry, and he said it.

"I hate them," he said of the defecting Khmer Rouge leaders who recently flaunted their impunity in a tourist trip around Cambodia.

"So long as it doesn't cause a war, I want to see them on trial," he said. "Cambodians cannot be happy as long as they are happy."

And then, like a man who has decided that the time has come to speak, Un Samath, 46, described the pain he shares with almost every other Cambodian of his generation: the killings of family members, the years of fear and hunger, the loss of youth and education, the continuing harshness of life.

It was just one of countless unbearings that are taking place among Cambodians today as the country seems to be embarking, spontaneously, on a long-delayed national conversation about its traumatic past.

In Phnom Penh, the capital, and in Battambang, the country's second-largest city, interviews with a score of people from market vendors to professors suggest that a common legacy of anger and pain is being shared in a new way.

As Cambodia struggles to break with its feudal past, the comments also suggest an emerging political assertiveness among people who are better informed and more aware of their rights. Recently, several political parties and labor unions have formed, and people are coming forward to seek redress for land seizure or the dumping of toxic waste, wrongs that in the past they might simply have accepted as fate.

The seemingly near-unanimous view is that Khmer Rouge leaders should be put on trial, if only to determine who is to blame for the country's suffering, and even if any convictions are followed by an amnesty.

If this is so, it offers a response to those who fear that international pressure for a trial amounts to a new burden. It is also a response to the defectors' assertion that pressure for a trial comes from a foreign intervention against the will of the people.

There has still been no real assessment of the national will. Prime Minister Hun Sen has asserted that people do not want a trial, while King Norodom Sihanouk has stated that they do.

From 1975 to 1979, more than a million Cambodians died from malnutrition, overwork, untreated diseases or executions. After a wave of anger mounting in the early 1980s, Cambodia settled into a state of stunned denial, its psychic wounds unacknowledged and festering.

The surrender of two Khmer Rouge leaders, Khou Samphan and Nuon Chea, and their welcome by the government have apparently aroused these buried emotions.

"This is the major topic now that people talk about," said Kao Kim Houn, who heads the Cambodian Institute for Cooperation and Peace. "People from all walks of life have begun to question what happened in that period. They share a

common past, a common suffering and therefore a common outrage when they see these mass killers return to the mainstream of society."

Researchers say that even as international pressure grows to put Khmer Rouge leaders on trial for crimes against humanity, a dozen of them are living freely in Cambodia, following the collapse of their guerrilla movement in recent months.

After Mr. Hun Sen welcomed the defectors two weeks ago, saying, "We should dig a hole and bury the past," he found it politically necessary to issue what he called a clarification a few days later and declare that he was all for justice.

But the government has not yet said whether it will seek to arrest the defectors, who are in Pailin, a remote town near the Thai border where they are protected by armed former guerrillas.

With popular emotions stirring, Kao Kim Houn said, "Internal pressure on the government has begun to build up." He added: "National reconciliation at all costs? Bury the past? Forgive and forget? No, I don't think that is the case now."

If indeed a more politically demanding society is emerging, it may be one positive legacy of the huge international effort at democratization organized by the United Nations at the start of the decade.

Despite the violent power politics that has persistently stalled the establishment of democracy and human rights, a fledgling civil society has begun to emerge, led by about 200 local nongovernmental agencies, most with foreign funding.

The country's recent discussion also offers a remembrance of the dead as people recount their losses. When they talk about the past, Cambodians commonly offer lists of family members who died at the hands of the Khmer

Rouge.

King Sihanouk, in a statement Thursday, published a list of victims that included five children, 14 grandchildren, two cousins, a half-uncle and a son-in-law.

Kao Kim Houn, 32, lost a younger brother and sister. He said he still dreamed about them. When he was a college student in the United States, he said, his roommate called him "the wall beater" because of his violent nightmares.

Chhoun Sokheang, 44, a university instructor, lost his father, an uncle, an aunt, a cousin and about 25 other family members.

Lim Navy, 39, who sells construction material, said she lost an uncle, two uncles-in-law and more cousins than she can count. "If we start thinking about what the Khmer Rouge did," she said, "we just want to chop them up like minced pork."



Khmer Rouge soldiers killed more than 1 million citizens and wounded countless others, including one survivor who recently demonstrated his scars. In December two defectors, below, described their roles as demands grew for a full accounting.



Damon Winter/The New York Times

Tintin's Latest Caper: A Symbol of Euroman

Cartoon Hero Still Popular on 70th Birthday

By Charles Trueheart
Washington Post Service

The bizarre Tintin menagerie, antique though it is, still holds the European imagination.

Editorial cartoons not our Tintin the way American ones use Uncle Sam; European philosophers have plumbed the postmodern meaning of Tintin to no end. And meaning, in Europe, means politics.

Was Tintin from the left or the right? That's the question that will be debated in the august surroundings of the French National Assembly in February, thanks to the legislators' own chapter of the Tintinologists' Society.

Tintin's 70th birthday, Jan. 10, is being marked by the republication of the very first album, "Tintin in the Land of the Soviets." It is, beyond being a pale story compared with those that follow, a crude anti-Communist yarn involving Bolshevik clowns in greatcoats. It so embarrassed Herge and his publishers that they withdrew it from circulation in the 1930s.

Bernard Vivier, who owns a shop in the Paris Marais district that sells Tintinalia, is among the majority who are "convinced" Tintin was, if not a crypto-fascist, then the artistic offspring of one.

"You'd never have confessed to enjoying Tintin in '68," recalled Mr. Vivier, "or the rabidly nationalist Asterix comics either. The transparently royalist Babar, of course, was beyond fine."

Petit Vingtième, where Tintin was first serialized, was a rightist Belgian Catholic sheet for young audiences. "Tintin au Congo," the second album, is pure colonial paternalism. That and

"He represents universal values: friendship, loyalty, kindness, generosity, courage."

other albums were cleansed of incorrect details when color editions of all those then in print were printed in the 1940s and '50s: Swarthy and malign Jews became swarthy and malign Europeans of indeterminate origin; black Americans, became white ones.

Herge was a classic "neutral" in wartime Belgium, which is to say that he went on building his profitable cartoon empire under Nazi occupation and was accused of collaboration after the war, and ever since. But even by the mid-1930s, Herge, and thus, indirectly, Tintin, was having a revelation that would lead him to create one of his most memorable minor characters and symbols of human values, the Chinese boy Tchang.

Introduced in "Le Lotus Bleu," the artistic masterpiece of the Herge oeuvre, Tchang returns in the late-career classic "Tintin in Tibet," where Tintin rescues him again and mouths platitudes about universal brotherhood. When Tchang Tchong-jen, the real-life Herge friend on whom Tchang was based, died in France last fall, the front-page headlines needed no explanation: "Tchang is dead."

The problem with the Tintin industry is that it is a closed shop. Herge, who died in 1983, never passed on the rights to produce new episodes of Tintin after his death. He might have been otherwise. Herge tried to interest Walt Disney in the early 1950s in taking on his character, but the Disney people ignored him. Herge rightly hated the feature films made from his characters — for starters, no known human looks like Tintin. But he was tempted late in his life by a filmmaker he admired deeply and with whom he shared an affinity for knowing the mind of the child in all of us.

Steven Spielberg wanted to adapt Tintin to the screen. Mr. Remi was ready to sign a contract, but balked when he saw that Mr. Spielberg retained the rights to the merchandising. Then Mr. Remi died.

But Mr. Spielberg essentially went ahead with the project, creating a Tintin in the American vernacular this one with a better haircut. His name was Indiana Jones.

WEATHER

Forecast for Wednesday through Friday, as provided by AccuWeather.

Maps, forecasts and data provided by AccuWeather, Inc. ©1998 <http://www.accuweather.com>

North America

Europe

Asia

Africa

Latin America

Oceania

Australia

New Zealand

South Africa

Middle East

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Oceania

ASIA/PACIFIC

Hong Kong Opposition Gets Call to Barricades

By Mark Landler
New York Times Service

HONG KONG — Eight months after it won a resounding victory in legislative elections here, Hong Kong's opposition movement is divided over whether the Democratic Party should abandon elective politics and take its cause to the streets.

In an extraordinary meeting Sunday, a group of young party members called on their leaders, in effect, to man the barricades. Declaring that Hong Kong's government was strangling the growth of democracy, the young members said the party should focus on mobilizing "the masses" rather than running for seats on Hong Kong's largely toothless

Legislative Council.

"Having one or two more seats won't change anything," said Andrew To, a leader of the so-called Young Turks. "All democratic movements come from the masses on the streets. You need martyrs to change the system."

Such a call to arms is startling in Hong Kong, where politics is hardly a contact sport and where even the most strident opposition leaders have tried to work within the system. But these are frustrating times for this former British colony, which reverted to Chinese rule just as Asia was slipping into recession.

As Hong Kong's government searches for a way out of its worst economic crisis since World War II, democratic leaders say it has hobbled the pace of reform and marginalized its chief advocates.

Although the Democratic Party won 43 percent of the vote in the elections last May, the most of any party, it received just 13 of the 60 seats in the Legislative Council under Hong Kong's electoral laws. And the party's leaders have been granted only two meetings with Hong Kong's chief executive, Tung Chee-hwa, a shipping magnate appointed by Beijing.

After the second meeting, on Saturday, the party's chairman, Martin Lee, lashed out at Mr. Tung, calling him a "benign dictator."

"Mr. Tung doesn't believe in democracy, and it is no surprise that his administration is devoted to thwarting it," said Mr. Lee, a lawyer whose proper manner and professorial mien belied his fighting words.

These days, though, the leaders of the Democratic Party seem to spend less time fighting Mr. Tung than squabbling among themselves.

Mr. Lee, who holds a seat on the Legislative Council, says his party must continue to work within the system because it was elected by the voters to do that. He notes that when the Chinese



ONE COUNTRY, OLD SYSTEM — Members of the Hong Kong legal profession preparing Monday to hear the region's chief justice speak at the official opening of the new legal year. Despite reverting to Chinese rule in 1997, judges and lawyers in Hong Kong continue to wear English-style wigs and robes.

government dissolved the last freely elected Legislative Council on July 1, 1997, the opposition leaders vowed to regain their representation.

But Mr. To, a 32-year-old university lecturer, said the legislature "wastes time debating unimportant issues." He said the party should focus instead on organizing street protests and demonstrations.

Neither Mr. Lee nor Mr. To thinks that the party will fracture. Political experts agreed that a split was unlikely. For one, it is not clear how many parties a politically apathetic Hong Kong can support.

In a city of 2.7 million voters, the Democratic Party has only 600 members.

Moreover, the Young Turks lack a

recognized leader like Mr. Lee, who travels the world advocating democracy in Hong Kong. With so few elective offices here, the young members are unlikely to have one soon. Experts said that lack of opportunity explains their frustration.

The Legislative Council itself plays second fiddle to the strong executive branch. It cannot, for instance, even introduce legislation without Mr. Tung's agreement.

And within the legislature, Mr. Tung plays favorites, opposition leaders said. While he has little to do with the democrats, he said he heaps praise on Hong Kong's leading pro-Beijing party.

"Part of the problem is that the democrats don't have a dialogue with Beijing," said Joseph Cheng, a pro-

fessor of political science at the City University of Hong Kong. "In order to have an influence on the government of Hong Kong, they must have legitimacy with Beijing."

In many ways, the democrats are victims of unexpected circumstances. The party won votes by promising to be a bulwark against Chinese interference in Hong Kong. But Beijing has for the most part stayed out of Hong Kong's affairs.

The democrats have also been thrown into their heels by the Asian financial crisis. In the prosperous days before the handover, the Democratic Party espoused the same free-market ideas as the government. But now, with unemployment running at record levels, the younger members are demanding that the party fight for working people.

With Democratic Party leaders like Mr. Lee, a highly paid lawyer, it is not a natural fit. "Despite its grass-roots image, the leaders of the party are quite well-off people," Mr. Cheng said.

After Sunday's meeting, both factions of the party were eager to play down their differences. "People expressed their views frankly, but there were no fireworks, as many expected," Mr. Lee said.

Mr. Lee said the party would remain in the Legislative Council, while at the same time organizing more protests and rallies. "The demonstrations must be well-planned rather than wildcat affairs," he said.

Mr. To said the leaders agreed to work for the interests of working-class as well as middle-class voters. But he added that the meeting did not resolve the deeper questions about the future of Hong Kong's democracy movement.

Violence and Protest Take Hold in Indonesia

Reuters
JAKARTA — The student movement vowed Monday to resume mass protests against President B.J. Habibie as violence spread to more regions of the country.

Student leaders said they would resume the protests after observing the Muslim holidays Jan. 19 and Jan. 20. They are demanding Mr. Habibie's resignation, a trial of former President Suharto and an end to the military's role in politics.

"We will press on until we have a democratic society," said Eli Salomo of Forkot, one of the most radical student groups in Jakarta, at a news conference arranged by eight student groups.

Clashes between students and security forces in November and December came to a halt late last month when students marked the beginning of the Muslim fasting month.

But Ramadan did not blunt spiraling unrest and crime in the archipelago as the economic crisis pushes millions into unemployment and poverty.

About 3,000 people in Sumatra's Lampung Province, some 135 kilometers (80 miles) northwest of Jakarta, stormed a neighboring village, setting fire to cars and looting buildings, angered by the killing of four men suspected of masterminding a string of motorcycle thefts in which several people were murdered.

Violence has also been mounting in the province of Aceh on the northern tip of Sumatra. The military said Monday it had arrested 30 soldiers in Aceh for beating to death and torturing suspected separatists over the weekend.

Military officials and human rights groups said Sunday that four people died, bringing the number of deaths in the province in recent weeks to 20.

"I say this firmly: I cannot justify what happened on Saturday," said Ijoma Wahab, the military commander in Lhokseumawe.

"I will investigate the incident thoroughly," he added, "and send the suspects to the military court by the end of the month."

INTERNATIONAL

Fires Ravage Freetown as Rebels Attack

Agence France-Presse
FREETOWN, Sierra Leone — Battles and countless fires raged Monday in eastern districts of Freetown, the capital of Sierra Leone, passengers from a helicopter shuttling between the city and its airport said.

Military sources, who asked not to be named, said the flames had been started by rebels who had been routed.

General Timothy Siphiwe said that troops of the Nigerian-led intervention force he commands, known as Econog, were pushing the rebels back through eastern parts of the city.

"The rebels burn, pillage and kill as they go through," and use civilians as "human shields," General Siphiwe said at the international airport, Lungi, across an estuary from Freetown.

The Revolutionary United Front rebel group and renegade government troops stormed the capital Wednesday and have since been pitted against the soldiers of the West African Econog force.

"We've never seen anything like it, even in the worst fighting during 1997 and 1998," a resident said of the fires Monday.

An unidentified Econog official said: "There are still small groups of rebels and isolated gunmen. It will take another few days before the city is safe again."

Rebels have also kidnapped two more Italian missionaries by tricking them into believing they could contact an abducted colleague, the Italian ambassador announced here Monday.

The envoy, Luigi Costa Sanseverino Di Bisignano, said the rebels contacted the two missionaries and persuaded them that they would be able to get in touch with their colleague, Mario Guerra, who was kidnapped by insurgents in mid-November.

The missionaries disappeared and have not been heard from since.

■ AP Journalist Is Killed

A television producer for The Associated Press was shot and killed and an AP bureau chief was wounded when their car was hit by gunfire while covering civil war, The Associated Press reported.

Myles Tiernan, a Kenya-based producer for The Associated Press Television News died instantly. Ian Stewart, based in the Ivory Coast, suffered a head wound.



A soldier comforting a woman in Freetown during an evacuation last week of civilians after rebels stormed the capital on Wednesday.

Truth Panel Denies Amnesty To Policeman in Biko Beating

By Suzanne Daley
New York Times Service

JOHNSONBURG — A former police officer who said he helped tackle the anti-apartheid activist Steve Biko and smash his head into a wall when Mr. Biko was in custody in 1977 has been denied amnesty by the South African Truth and Reconciliation Commission.

The commission has not yet released its findings, but George Bizos, a lawyer for the Biko family, said the panel had ruled that no amnesty could be granted because the police officer had not admitted to a crime.

The officer, Gideon Nieuwoudt, and the four other officers involved in Mr. Biko's interrogation told the commission that Mr. Biko had attacked them after he had been forced to stand. They said they had been defending themselves when they jumped on him.

Days after the incident, Mr. Biko, naked, disoriented and suffering from severe head injuries, was driven 1,200 kilometers (750 miles) across South Africa for medical treatment. He died before he got any, on Sept. 12, 1977.

His case outraged the world and helped galvanize the anti-apartheid movement. Although an investigation at the time cleared the police officers of

any wrongdoing, it became clear that an obviously injured Mr. Biko had spent days manacled to window bars before dying alone on the floor of a prison cell.

What exactly happened to him has been an enduring secret. When the five officers involved in his interrogation applied for amnesty in 1996, many South Africans hoped they would finally hear a full explanation of how Mr. Biko, the founder of the Black Consciousness Movement, had died.

But few were satisfied with the version of events the five police officers put forward during weeks of testimony to the Truth Commission in 1997.

Sidestepping the question of whether Mr. Nieuwoudt, who is in jail for other crimes, is believable, the commission's decision focuses on an issue that was particularly galling to the Biko family.

None of the police officers accepted blame for Mr. Biko's death or confessed to any criminal behavior.

In theory, the verdict leaves Mr. Nieuwoudt vulnerable to criminal prosecution. But such a prosecution seems unlikely. Legal experts say proving intent to kill for a murder charge would be extremely difficult. And a lesser charge of manslaughter would not be possible because of a 20-year statute of limitations.

Kazakhstan Votes For the Incumbent

ALMATY, Kazakhstan — President Nursultan Nazarbayev was easily re-elected following a race marred by allegations of unfair campaigning and ballot stuffing.

Mr. Nazarbayev, who led Kazakhstan during the Soviet era and became its president at independence in 1991, received 81.7 percent of the vote in Sunday's election, according to preliminary results released by the Central Election Commission.

Opposition leaders and foreign observers said Mr. Nazarbayev assumed his own victory long before voting started when he beat two leading candidates, including the former prime minister, Akezhan Kazhgeldin, from entering the race because they were arrested for attending an unauthorized meeting.

Mr. Nazarbayev also pushed a motion through Parliament that scheduled elections almost two years earlier than envisioned by the country's constitution. The move denied opponents enough time to mount proper campaigns, observers said.

Nigeria Center-Left Racks Up 20 States

LAGOS — The center-left Peoples Democratic Party won in Nigeria's state elections, taking 20 state governorships against nine for the center-right All Peoples Party and six for the radical Alliance for Democracy, according to a compilation of results announced by the Independent National Electoral Commission on Monday.

Voting took place Saturday in 35 of Nigeria's 36 states with millions of voters turning out to vote for governors and state assemblies.

Voting in one state, Bayelsa, did not take place because of recent clashes between security agents and locals demanding a greater share of oil wealth.

The Peoples Democratic Party is an alliance of establishment figures, many of whom opposed the late military ruler, General Sani Abacha.

(AP)

CAMBODIA: Workers Protest Conditions

Continued from Page 1

ment. The European Union took the same step.

At the same time, both the United States and the EU gave many Cambodian goods low-tariff entry under their "generalized system of preferences" for developing countries.

Garment exports earned Cambodia nearly \$300 million in the first 10 months of 1998, about one-third of its total export income. Some 70 percent of the apparel sales are to the United States, with the rest going to Europe.

On Monday, in the latest of a series of protests in the past year, more than 1,000 employees of a Malaysian-owned garment factory in Phnom Penh went on strike to demand better overtime pay and working conditions, Reuters reported.

Workers at a PCGS Garments Ltd. factory said their overtime wages had recently been cut to 50 cents an hour from 80 cents.

"We're not going back to work until we get a deal for proper overtime and working conditions," said a 19-year-old employee, who complained that the factory was too hot and poorly ventilated.

Paul Wong, the company's administration manager, called the workers' demands "unreasonable" and denied there was anything wrong with conditions at the factory.

But Mr. Rainey said that mandatory overtime in Cambodian garment factories was common and rarely paid.

"Protesting workers are fired without notice or compensation," he said. "I hope the American inspectors will be shown the real situation. Human rights must start at the grassroots level, in the village and working place."

The Free Trade Union of Workers of the Kingdom of Cambodia has called on the government to enforce the country's labor laws to ensure an improvement in factory conditions.

Along with the AFL-CIO trade union, it has urged the Office of the U.S. Trade Representative to revoke Cambodia's favorable trade status because of labor abuses and the government's failure to enforce labor laws.

The Cambodian commerce minister, Chan Prasidh, said the government was checking working conditions in the garment factories and said violators of labor laws could have their licenses canceled and visas revoked.

But he warned that U.S. quotas could derail the Cambodian garment industry just as it was ready to take off. A further 139 garment factories, which would provide 110,000 new jobs, were recently licensed.

"If they impose quotas on us, how can we attract new investors?" Mr. Chan Prasidh asked. "We are a poor country that needs development."

BRIEFLY

Japan Negotiations Make Progress

TOKYO — Seeking to move closer to a coalition government, Japan's governing party gave in Monday to an opposition demand to no longer allow bureaucrats to speak for ministers in Parliament.

Under the deal between the ruling Liberal Democratic Party and the opposition Liberal Party, ministry bureaucrats will speak only when requested to do so, the Liberal Party official, Takeji Kono, said.

Japanese politicians often read from papers prepared by bureaucrats, whose technical expertise is often superior to that of the politicians. Bureaucrats also answer questions during parliamentary debates.

But many Japanese are increasingly wary of the bureaucrats' domination over policy-making because they are not elected and do not appear to be answerable to public opinion.

(AP)

Pakistani Court Halts Executions

ISLAMABAD, Pakistan — The Supreme Court on Monday halted executions ordered by military courts in Karachi until the validity of the tribunals.

The country's top court issued the interim order while hearing five somewhat similar petitions challenging summary military courts set up by Prime Minister Nawaz Sharif's government.

Chief Justice Ajmal Mian said in a brief order that until the court made a final decision, the government "shall not execute death sentences already awarded by the military courts or which may be awarded hereafter."

Manila Court Gives Rapist New Chance

MANILA — The Supreme Court on Monday gave a convicted rapist one more chance to plead for his life, ordering him to respond to a government petition for his execution.

The high court ordered Leo Echegaray to respond to a government petition asking the court to allow the death sentence against the inmate to be carried out in what would be the first execution in the Philippines in 23 years.

Three hours before Mr. Echegaray was to be executed on Jan. 4, the court ordered a six-month delay to allow Congress to review a law that reimposes the death penalty in the Philippines.

EUROPE

British Back Sinn Fein On IRA Disarmament

By James F. Clarity
New York Times Service

DUBLIN — After a week of disturbing events that appear to threaten the advance of the Northern Ireland peace effort, Mo Mowlam, the British Northern Ireland secretary, proposed a compromise Monday on the crucial issue of the disarmament of the Irish Republican Army.

Ms. Mowlam, the highest official in the British province, agreed, in effect, with the disarmament position held by Sinn Fein, the political wing of the IRA: that the language of the Belfast peace agreement does not require the IRA to disarm before May 2000.

But, she added quickly that she hoped the IRA and Sinn Fein would make some gesture toward disarmament that would allay Protestant fears that the overwhelmingly Roman Catholic republican movement might resume the sectarian war.

The Belfast agreement, approved nine months ago, is to give minority Catholics in the North more political power and to increase the influence of the overwhelmingly Catholic Irish Republic in the British province.

Last month, in a historic act of cooperation, Protestant and Catholic leaders approved the establishment of executive bodies to carry out the power sharing. But the issue of IRA disarmament has delayed the filling of the new posts.

Sinn Fein's president, Gerry Adams, says that his party merits the immediate

appointment of two ministers in the executive body of the new Northern Ireland Assembly, which is to be given powers that have been held by the British government in London since 1974. But the Protestant first minister of the Assembly, David Trimble, insists that the IRA must begin disarming before Sinn Fein is allowed in the executive.

On Sunday, after a week of troubling events related to the peace effort, Prime Minister Tony Blair of Britain accelerated efforts to smooth over the disarmament dispute and move toward London's granting of home rule powers to the Assembly by the end of March.

"I just hope," he said in London, "that there exists the initiative and vision on all sides to bring it to fruition."

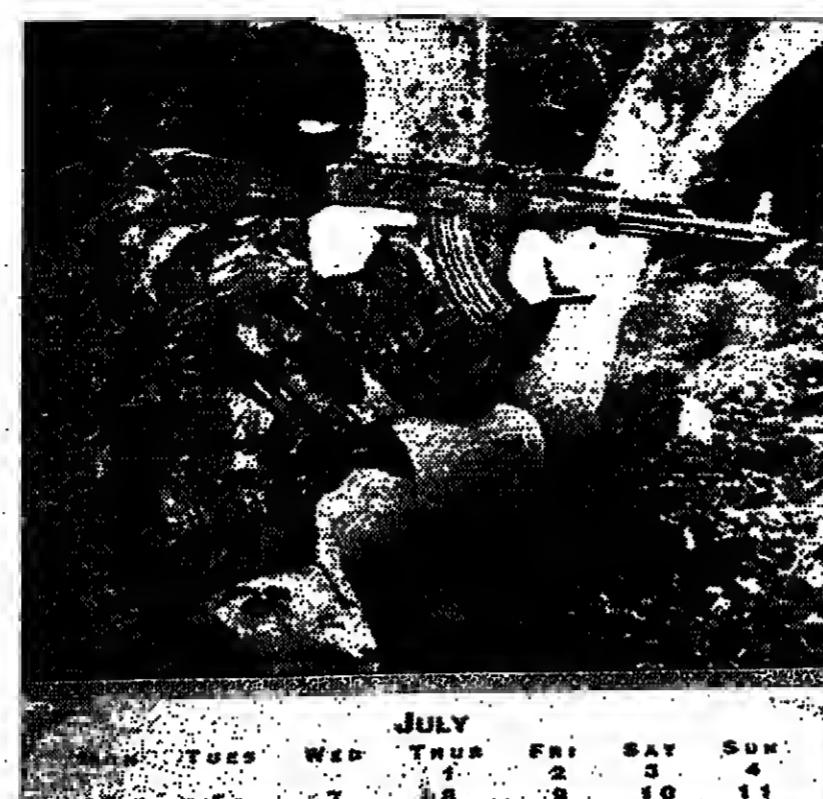
But there was no sign of this during the holidays. In its New Year's message the IRA noted, ominously in the view of many, that the last time the peace effort was stalled — in its view, by the British government — the IRA ended a 17-month cease-fire in February 1966 and resumed its bombing campaign in England. The current IRA cease-fire has held for 17 months.

Protestant leaders called this statement a threat. Mainstream Catholics, who oppose violence, worried that the Protestants might be right.

Fears of new violence rose in the Irish Republic and the North when a group of heavily armed masked terrorists, believed by the police to be IRA dissidents, tried to rob an armored car carrying the equivalent of \$120,000 in the Dublin suburb of Dalkey. The robbery failed when the getaway car stalled. But the terrorists, believed to be trying to finance new attacks, escaped.

After the robbery attempt, the invective sharpened between Protestant unionist leaders and Catholic republicans.

Mr. Trimble suggested that Sinn Fein was using Nazi propaganda tactics to make its case. "It was Josef Goebbels," Mr. Trimble said, "who once said, 'If



A photograph of a masked member of the IRA aiming a rifle adorns a month on the organization's 1999 calendar. The image is regarded by Protestants as an indication of the IRA's reluctance to turn its weapons.

you tell a big enough lie often enough, then it will be believed.'"

Mr. Adams replied: "Mr. Trimble is deliberately seeking to delay the implementation of the agreement. Indeed, there is an increasing number of republicans and nationalists who are coming round to the view that he is seeking the collapse of the agreement."

To many officials' and experts', Mr. Adams seemed to be echoing the implied threat of the IRA to end its cease-fire.

Ms. Mowlam was asked at a news conference on Monday in Lurgan, west of Belfast, whether she thought the Belfast Agreement required the IRA to disarm before May 2000.

"In terms of the words," she said of the language of the agreement, "there are no preconditions" to Sinn Fein's obtaining seats now on the new executive.

"But in terms of the spirit," she added, "it was necessary 'to build confidence' in 'all dimensions.' That was widely understood as Ulsterpeak, the euphemistic political language of the province, to stand for IRA disarmament.

"That means decommissioning," she said. "That means formation of the executive. That means that all of us have got to take another step forward. The finishing line is near."

She added that she would discuss the impasse with Northern Ireland's political leaders this week.

Kosovo Rebels Plan to Free Some Captives

Reuters

GENEVA — The Kosovo Liberation Army said Monday it was planning to free some of the eight Yugoslav army soldiers captured in the Serbian province last week.

"It is unlikely that we will free all of them," Bardhyl Mahmuti, political representative in Europe for the ethnic Albanian separatist group, said in a news conference here. "Some, a minimal number, will be freed."

In return, he said, the Kosovo Liberation Army expects the Serbian authorities to release some of the 2,100 Albanians they are known to hold.

Representatives of Kosovo Serbs said Monday that a state of emergency should be declared in the province and that monitors from the Organization for Security and Cooperation in Europe should be given 24 hours to leave before a major crackdown on the rebels.

The head of the Yugoslav Army, General Dragoljub Ojdanic, arrived Monday in the regional capital, Pristina, the army said, adding that forces had been put on high alert.

The capture of the eight soldiers Friday near Stari Trg, a mining town 40 kilometers (25 miles) northwest of Pristina, has sparked a crisis in and around the province, where international representatives are seeking talks aimed at a political settlement.

Mr. Mahmuti said the eight were not hostages as reported by the OSCE. "This is a conflict between two armies. They are prisoners of war," he said. "We could have shot them, but that is not what we want."

He said the guerrillas' main aim was not an exchange of prisoners but to get the Serbs "to stop their policy of wholesale detention of Albanians" and then start talks on a settlement.

Serbian forces "are arresting Albanians at the rate of 400 a month," he said. "We want in have a roundtable, but we can't go to that while this policy of wholesale arrests continues."

■ Milosevic Decrees 'Terrorism'

President Slobodan Milosevic of Yugoslavia said Monday his government would "not tolerate terrorist activities" by Albanian separatists, Agence France-Presse reported from Belgrade.

"That means decommissioning," he said. "That means formation of the executive. That means that all of us have got to take another step forward. The finishing line is near."

She added that she would discuss the impasse with Northern Ireland's political leaders this week.

BRIEFLY Cyprus Mediator Resumes Shuttle

NICOSIA — The United Nations permanent representative on Cyprus, Dame Ann Hercus, had her first meeting Monday with President Glavkos Klerides since Cyprus decided against the deployment of Russian missiles on the island.

After the meeting, Dame Ann made a brief statement to the press, confirming that "shuttle talks have recommenced."

She said she would meet the Turkish Cypriot leader, Rauf Denktaş, later in the week, and have another meeting with Mr. Klerides next week. Dame Ann started her shuttle mission in October in a bid to reduce tension on the island and promote a settlement. (AFP)

Munich Prosecutor Acts in Le Pen Case

MUNICH — The Munich prosecutor's office has issued a summons to question Jean-Marie Le Pen, the French extreme-right leader, in France on allegations of inciting hatred, it said Monday.

The announcement concerning Mr. Le Pen, leader of the National Front, was made by Manfred Wick, the prosecutor.

The investigation centers on remarks made by Mr. Le Pen minimizing the Nazi gas chambers as "a detail" of World War II history. Mr. Le Pen is liable for prosecution since the European Parliament stripped him of his parliamentary immunity Oct. 6 following his statement in Munich on Dec. 5, 1997, that the Nazi death camps were a detail of history. (AFP)

Russian U.S. Envoy To Take Up UN Job

UNITED NATIONS, New York — Russia's ambassador to Washington, Yuli Vorontsov, is to take up a United Nations post with responsibility for conflict resolution after his retirement at the end of this month, a UN spokesman said Monday.

The spokesman confirmed that Mr. Vorontsov, who previously served as chief delegate to the UN for his country, would have the rank of UN undersecretary-general and would be employed on a "dollar-a-year" basis as needed. (AFP)

Schroeder Calls for Calm in EU Scandal

By John Schmid
International Herald Tribune

commission could become a weakened body, diplomats warn.

"I plead not only to look backwards but also to look forwards, and that means getting agreement on the agenda and avoiding stalling in Europe's engine," Mr. Schroeder said. "Bringing Europe forward is more important than irritations that might be related to mutual misunderstandings."

Mr. Schroeder called a special EU summit meeting in March to negotiate a complete overhaul of the EU budget. Mr. Schroeder promised in his campaign to cut its heavy payments to the EU, and a potentially bitter conflict looms with Europe's militant farm lobbies over plans to reduce EU agriculture subsidies. Bonn pays more than 20 billion Deutsche marks (\$11.82 billion) more into Brussels' coffers than it receives, making it by far the largest net payer.

Even if the vote fails, as expected, the

EU anti-corruption unit would investigate the allegations, helping open the door to a solution in the censure motion. "The charges should be addressed," Mr. Schroeder said.

"We in the presidency need a stable and functional commission because of the solution for the difficult tasks that I sketched out, and we will do all we can to achieve that," said Mr. Schroeder as he appeared with Jacques Santer, president of the commission. Mr. Schroeder's comments give Mr. Santer a potentially powerful supporter at the start of a difficult week.

The meeting on Monday began what will be a bout of furious diplomacy around Europe for Mr. Schroeder and his cabinet. If he succeeds with his agenda, he could step into the role of European power broker vacated by his predecessor as chancellor, Helmut Kohl.

Mr. Schroeder threw his support behind

The Kremlin Doctor and the Sick Toe

By Daniel Williams
Washington Post Service



Praskova Moshentseva, 85, reminiscing about her years as doctor to Soviet leaders: "We're experienced at keeping leaders alive."

looked like a hurt child." He received mysterious injections. "Indeed, there was a special nurse attached to him who made special injections. I ask myself the question, 'If a nurse was giving him something wrong, why did nobody interfere?'"

Yuri Andropov, who ruled the Soviet Union briefly in the early 1980s, suffered from ailing kidneys secretly for almost a decade before his death in 1984. "They gave him periodic dialysis treatments — once a week sometimes."

She met Mr. Brezhnev in the 1960s when she was called to his country home to treat a hand cut. The Communist general secretary had fallen from a tree while hunting moose.

Dr. Moshentseva recalled, "They didn't dare transplant; they couldn't guarantee success. It wasn't the kidneys that finally got him, exactly. He went to the south, bathed in the sea, the water was cold, he got sick. This time, they failed to save him."

She met Mr. Brezhnev in the 1960s when she was called to his country home to treat a hand cut. The Communist general secretary had fallen from a tree while hunting moose. "He was full of strength and vigor," she wrote.

Several years later, when she met him again, his speech was "blurred, and he

Dr. Moshentseva treated them all until she retired in 1981. Nikita Khrushchev, hospitalized with heart problems, once told her that everything in Pravda, the official Communist Party newspaper, was rubbish.

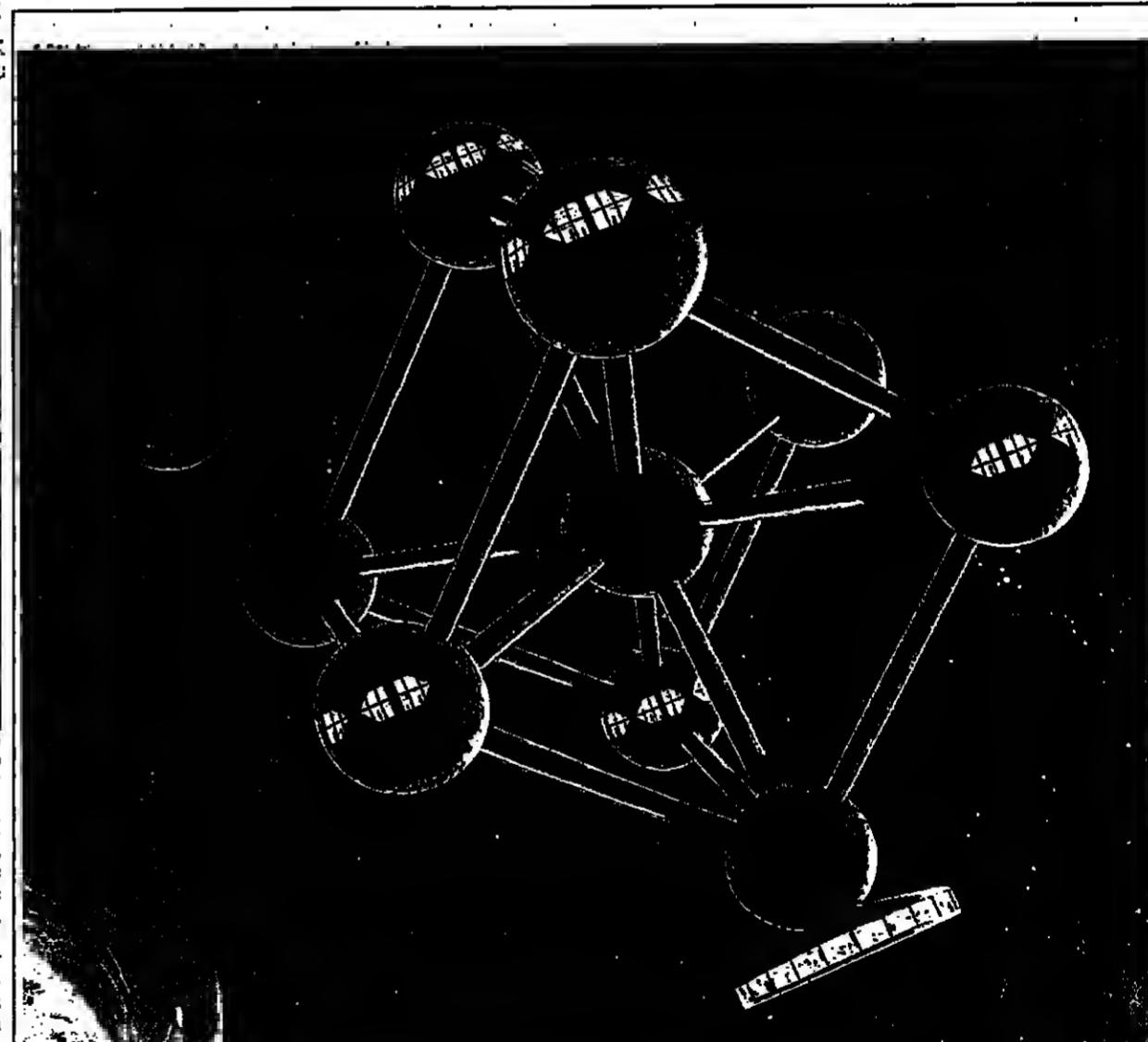
Yet, if you ask for her strongest career memory, she does not mention the all-star lineup of patients. Rather, she tells of an odd night in Moscow when a violent storm knocked a tree onto a woman who was then brought to the hospital. "She had a fractured skull. The guards wanted to call an ambulance, but I said she was too hurt. She needed help immediately. It was against the rules. I expected to be fired, but I did it anyway."

The old woman recovered consciousness and asked where she was. I told her the Kremlin Hospital and she screamed with horror. "I've come to the Devil's lair! The Devil!" It turned out, she was a nun earlier in her life. When she recuperated, I offered her a certificate to explain her condition. She ripped it up. "It's a note from the Antichrist," she said. Still, she kissed my feet when she left.

"When I was a young woman, before I was admitted to medical school, times were difficult in Russia. I needed a place to stay. An old woman took me in. I was an orphan; my mother had given me up. Like I said, times were hard, and lots of parents could not feed their children. When I was released from the orphanage, I had no place to go."

Dr. Moshentseva began to cry. "The old woman rescued me from hunger. She worked making tapestries, and I played my guitar for her. I learned she was a nun. So you see, there were two nuns in my life. One saved me, and I saved one."

Singers, rocket scientists, spies —



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INTERNATIONAL Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

America's Role in Iraq

From the information so far disclosed about U.S. intelligence activities in Iraq, it does not appear that Washington acted improperly or misused the United Nations. But it is clear that the international effort to monitor Iraq's development of unconventional weapons will not resume in the form used over the last seven years.

That obliges the United States and its allies to develop new methods to prevent Saddam Hussein from stockpiling chemical and biological agents.

U.S. spying in Iraq supported and was coordinated with the UN weapons inspection program, which began after the Gulf War in 1991. It was designed to locate sites where toxic weapons were being developed or stored, and to identify buildings that housed records about such arms.

To overcome elaborate Iraqi concealment schemes, UN inspectors needed U.S. assistance, including sophisticated eavesdropping devices that could intercept the radio and telephone communications of Baghdad's security services. U.S. officials say the effort was approved by top UN inspectors and that the intelligence data was shared with them. That is a critical issue, for an effort to deceive the UN or to conduct independent U.S. espionage operations under UN cover would have abused Washington's relationship with the organization.

The most sensitive U.S. operation

began last March, when an American spy serving as a UN inspector traveled to Baghdad to install especially advanced listening equipment. If this operation was authorized by the UN team, and employed for its benefit, as U.S. officials say it was, the effort was a perfectly reasonable response to Iraq's attempts to thwart the inspectors.

With the encouragement of Iraq and its friends, the Security Council is now arguing over the U.S. role rather than dealing with the urgent issue of how to prevent Saddam from rearming. Richard Butler, who has done a commendable job as the chief UN inspector, should not be sacrificed nor should his team be dismantled. Secretary-General Kofi Annan must resist the notion that Washington and Mr. Butler somehow conspired to wrong Iraq.

Coming up with new ways to deal with Iraq will not be easy, but several principles are paramount. Baghdad must not be allowed to build a new arsenal of unconventional weapons or threaten neighbors with them. Lifting the oil embargo, a move favored by Russia and France, would be a grave mistake, giving Saddam an unlimited revenue stream that he would undoubtedly use for military purposes. The United States and Britain, however little support they receive on the Security Council, must continue to restrain Iraq.

—THE NEW YORK TIMES.

Spending the U.S. Surplus

Maybe money can buy the bipartisanship that has been so sorely missing from national politics. A number of suggestions have been made in recent days about ways to tap the budget surplus that might satisfy the agendas of both parties. The ideas are all still vague — not so much a slicing of the pie as the mention of some possible slices. Some are familiar and, in our view, imprudent, but not all are bad.

One trial balloon involves Social Security. The president would very much like the record of his years in office to include a deal that would put the giant program on a sound financial footing. Aides do not a deal can be struck with Republicans that does not include some form of partial "privatization" or reliance on individual investment accounts for a share of retirement income. But there is equal pressure from many Democrats, organized labor and much of the elder lobby not to set up such accounts at the core retirement program's expense.

As a possible compromise, White House officials have begun to explore using part of the surplus to set up retirement accounts that officially would be separate from Social Security. The accounts, to which individuals might be free to add, would provide an additional tier of retirement income. The diversion to the accounts of what otherwise would become government funds could be phrased as a tax cut, thereby helping to meet another Republican goal. The accounts could be set up in such a way as to help the neediest most, which would be good policy and help attract support from Democrats as well.

Social Security would then be put on a firmer financial footing through a combination of conventional means — imposing benefit cuts and finding additional sources of revenue. Benefits would be lower at the end of the process, but the structure of the program — the promise and obligation of the government to provide a basic benefit in the event of retirement, disability or other threats to earnings — would remain. The effect of the benefit cut also would be less by virtue of the individual accounts, separate though they would in theory be. Nor might all the surplus be consumed this way; there would be funds left over for other public purposes. Not bad, either structurally or politically, if they can make the math work; we'll see.

A couple of congressional balloons were also floated in the last few days. The new House speaker, Dennis Hastert, held out an olive branch to Democrats. As part of the Democratic response in kind, the minority whip, David Bonior, said compromise ought to be possible on a number of issues, thanks in part to the surplus. He imagined a tax cut bill that would include a reduction in the so-called marriage penalty, a Republican goal, together with the president's proposed sub-

sidies for child care and nursing care for the elderly and disabled.

In the Senate, meanwhile, Pete Domenici, the chairman of the Budget Committee, suggested a possible blend of the president's determination to use the surplus to "save Social Security first" and the Republican desire for a tax cut. There would be a tax cut only when and to the extent that the non-Social Security part of the budget begins to generate a surplus; currently it remains in deficit.

Our own sense continues to be that the whole idea of a surplus is an illusion. It exists for the short term only. The long-term costs the government faces far exceed its prospective revenues. We mean not just the costs of providing for the baby boomers in retirement but also the parallel costs of maintaining an adequate defense, providing for the poor, maintaining the transportation system and performing the multiple other tasks that, by any definition, a government must. A tax cut in such circumstances, in our view, is folly unless it is tied to the achievement of one of these purposes, as perhaps in the creation of retirement funds.

The likely politics of the next two years are such that it is hard to believe the surplus will endure even on paper. We would guess that both parties are bent on somehow consuming it. Simply paying down the debt against the likelihood that it will need to be increased again in the future is too dull. The question will be whether they use it wisely. To do it right they are going to have to elevate their gaze beyond the next election.

—THE WASHINGTON POST.

Other Comment

Fraud at the EU

That there is a systematic fraud in Brussels will not have come as a surprise to many. But the EU's response to the latest disclosures has astounded even its fiercest opponents. The commission has shown itself to be tolerant of corruption, but intolerant of criticism. It now fails to the European Parliament to determine whether the EU, as a whole, can retain any integrity.

The scandal focuses on the revelation of malpractice in a series of projects, including training, tourism, humanitarian aid and the "Med" program, which channels funds to southern Europe. Officials have embezzled money, falsified accounts and dispensed grants in return for bribes. Not only has the commission turned a blind eye, but there is evidence that it has deliberately frustrated police investigations.

On Thursday, MEPs will vote on whether to dismiss the commission. What is left of the EU's reputation hangs on their vote.

The Daily Telegraph (London).

Dissatisfaction With Government Is an Early Warning

By Joseph S. Nye Jr.

SINGAPORE — Confidence in government began to decline in the United States long before the current impeachment of President Bill Clinton. In 1964, three-quarters of the American public said that they trusted the federal government to do the right thing most of the time. In recent years, depending on the poll, only a quarter to a third do so.

The numbers are only slightly better for state and local government. And government is not alone. Over the past three decades, public confidence has fallen by more than half for many major institutions: 61 percent to 30 percent for universities; 55 percent to 21 percent for major companies; 73 percent to 29 percent for medicine; and 29 percent to 14 percent for journalism.

Whatever the symptoms, one would not worry about causes if the consequences did not matter. The United States has always had a mistrust of government. Part of the current problem may be that American expectations of government became too high after World War II.

Moreover, at the underlying constitutional level, the public opinion polls are still positive. If you ask Americans what is the best place in the world to live, 80 percent say the United

States. If you ask them whether they like their democratic system of government, 90 percent approve.

If one looks at the Eurobarometer polls in Europe, even in those countries where there is a decline in confidence in government, 90 percent are "satisfied with a democratic form of government." We are not experiencing the alleged "crisis of democracy" popularized in the 1970s. At the constitutional regime level, the current situation is not like France in 1968 — much less 1789! Most people do not feel that the system is rotten and to be overthrown.

Nonetheless, there remains a case for concern, and not just in the United States. First, in a one-superpower world, major changes in the United States are of direct interest to other countries. Second, the changes in the United States may be harbingers for other countries. At this stage, we cannot be sure. The evidence is spotty and anecdotal.

Polls in different countries often ask somewhat different questions. In a pair of polls taken in 11 European countries in 1981 and in 1990, confidence in government institutions declined in six

Norway, Sweden, Belgium, France, Italy and Spain; was mixed in four (Germany, Iceland, Britain, the Netherlands); and rose in Denmark. Polls in Canada show a decline similar to that in the United States. In Japan, polls show a low regard for politicians throughout the postwar period. More recently, there has been a decline in confidence in the Japanese bureaucracy as well.

A survey of 43 countries in 1981 and 1990 found that people in low income societies accept governmental authority more readily than do citizens of wealthier societies. So understanding the causes of the decline of American confidence in government is important beyond the nation's borders and should stimulate more comparative investigation in other countries.

Ironically, at a time when the United States and the West are celebrating victory in the Cold War, confidence in many Western governments seems to be declining.

There are differences of degree between loss of confidence, dissatisfaction, cynicism, and hatred. But what is the connection between them? Does low confidence tend to become cumulative? If politicians and the press repeat as conventional wisdom that government cannot do any

thing right, does that breed cynicism? Business experts talk of "de-marketing campaigns" in which consumers are urged not to buy certain products. Since President Jimmy Carter's campaign of 1976, American presidential candidates have tended to run against Washington." Now most politicians do.

Studies show that over the past three decades, the media and firms have tended to portray politics and government with a much more negative slant. This might not matter if the only casualty were the vanity of politicians. But over long periods, devaluation of government and politics could affect the strength of democratic institutions.

Social scientists do not fully understand the relationship between satisfaction with day to day government and support for democracy. Yet one thing is clear: the future of democratic government and its ability to respond to an information age matter very much.

The writer is dean of the John F. Kennedy School of Government at Harvard University. This comment was adapted by the International Herald Tribune from a lecture he gave in Singapore on Saturday organized by the Civil Service College.

In Today's Iran, Writing Is a Dangerous Occupation

By K. Anthony Appiah

CAMBRIDGE, Massachusetts — Last month, two Iranian writers — Mohammed Mokhtari, a poet and literary critic, and Mohammed Jafar Pouyandeh, an essayist and translator — were murdered. The Information Ministry has also admitted involvement in their deaths.

Before these terrible crimes, there were signs that Iran might be restructuring: Mohammed Khatami, a moderate cleric who had once resigned from a government post to protest censorship, was elected president in 1997 with 70 percent of the vote.

After the election, independent newspapers sprouted up. Farsi Sorkhi, a journal, was released from prison; Mr. Khatami vowed not to carry out the death sentence against Salman Rushdie, and groups of athletes, tourists and academics began traveling to and from Iran.

Why, then, have writers be-

dari, along with Majid Sharif, a translator and journalist, were killed. The Information Ministry has also admitted involvement in their deaths.

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Next month, city and provincial elections mandated by the Iranian Constitution 20 years ago will be held for the first time, and moderates are expected to prevail. February also marks the 20th anniversary of the revolution.

on that overthrew the shah, leading many Iranians to question the direction it has taken. These murders can be seen as the hard-liners' latest challenge to Mr. Khatami's authority.

Mr. Mokhtari and Mr. Pouyandeh, secular writers with no government or religious ties, made attractive targets. They first came under scrutiny in October 1994, when they signed the Declaration of 134, which announced plans for a new independent writers' association.

Four of the signers have since died in mysterious circumstances, and many more have been harassed and interrogated.

In the past, Iran's security police were content to arrest their targets, torture them and extract false confessions. But as control over prisons has shifted toward Mr. Khatami, it seems

extremists are resorting to assassination.

Most Iranians yearn for basic freedoms, and Mr. Mokhtari and Mr. Pouyandeh have become martyrs to this simple but historic desire. We must not forget them. Nor should we forget the surviving signatories to the Declaration of 134.

Writers have only one weapon in the struggle to defend the right to free speech: more words. That truth was brought home poignantly when Mr. Mokhtari's widow placed his coffin in his coffin.

The writer, chairman of PEN American Center's Freedom-to-Write Committee, is a professor of Afro-American studies and philosophy at Harvard University. He contributed this comment to The New York Times.

The U.S. Has Many Policies on Iraq, but None Is Working

By Fred Hiatt

WASHINGTON — Some accuse the Clinton administration of lacking a policy toward Iraq. This is unfair. It has many.

There is the policy of overthrowing Saddam Hussein, as embodied in the Iraq Liberation Act that authorized \$37 million to train and equip Iraqi opposition groups.

President Bill Clinton signed that bill into law in October, and in November he promised to "intensify" U.S. cooperation with anti-Saddam organizations.

There is the policy explicated by Mr. Clinton's commander in chief of the Gulf forces, General Anthony Zinni, who said last week that his primary mission was to provide stability. "I would be in favor of anything that destabilizes the situation in the region," he said.

When U.S. planes finally went into action, only the British flew alongside. Russia and China bowed out long ago. Prime Minister Lionel Jospin of

France last week criticized America's "unilateral" behavior — though, as Secretary of State Madeleine Albright pointed out, none of these critics had proposed a better alternative for disarming Saddam. Far from

leading a consensus, the United States now may have to wield its veto against a consensus holding on the other side.

And then there's "containment." Under this policy, the United States enforces its no-fly zones, maintains economic sanctions and stands ready to bomb again anytime Saddam tries to rebuild his biological, chemical or nuclear weapons capabilities.

The administration believes this policy is working well.

"We feel pretty comfortable about where we are," a State Department spokesman, James Foley, said last week.

Saddam is "an increasingly

desperate man," Mr. Foley added. General Zinni cited "significant internal problems in Iraq" and "fairly desperate attempts to try to regain some of that position he held before, or thought he held before."

Signs of that desperation, according to U.S. officials, are Iraq's efforts to shoot down U.S. jets in the no-fly zone, Saddam's taunting of fellow Arab leaders, a reshuffle of his top command and reports that he has executed many internal enemies in recent days.

U.S. officials may know more, and may be doing more, than they can say. But if Saddam is not teetering, if administration analysts continue to find some element of wishful thinking, the question becomes how long a strategy of "containment" can be sustained.

It is true that the United States can veto indefinitely any effort by the UN Security Council to lift economic sanctions. But it cannot force the rest of the world to abide by them if most nations come to see them as outdated and unfair.

Similarly, U.S. intelligence can monitor broad developments in Saddam's weapons program — the rebuilding of a missile repair facility, say. It may, with some delay and luck, track the import of suspicious materials. But UN inspectors in Iraq could not find all of Saddam's poison weapons; at a distance, U.S. intelligence will not.

That leaves the administration somewhere in between, still test-marketing a range of sometimes contradictory policies, claiming more success than seems warranted and clinging for now to a containment that may or may not hold.

The Washington Post.

This Impeachment Fails Test of 1868

By James Reston Jr.

CHICAGO — In the past few months, Bill Clinton has often been compared to Andrew Johnson, who came within one vote of being impeached by the Senate. By that measure, can Representative Henry Hyde, the chief prosecutor in the Senate trial, be compared to Thaddeus Stevens, who as leader of the Radical Republicans pushed the hardest for the impeachment of President Johnson?

So far, if Mr. Hyde aspires to the stature of Stevens, he has failed miserably at the task. Stevens was a champion of abolition and an advocate for black suffrage. He saw Andrew Johnson, whose priority was the speedy restoration of the Confederate states with the Union, as the underdog of Reconstruction principles.

Officially, Johnson was being impeached for violating the Tenure of Office Act in firing the Secretary of War and for denouncing Congress as unfit to legislate. But those reasons masked the issues that were more important to the Radical Republicans. Johnson had vetoed 20 Reconstruction bills, and he had urged Southern legislatures to reject the 14th Amendment, which guarantees equal protection of the laws.

Stevens, who was near death when he brought the impeachment articles to the Senate, had no reason to temper his rhetoric. He called Johnson his "passionate detractors. To many, Johnson was trying to fulfill Lincoln's ideals and bind the nation's wounds while reining in the excesses of many Reconstruction bills.

But harsh words from Johnson's supporters did not deter Stevens any more than recent polls and angry Democrats have deterred Mr. Hyde. When Stevens rose to present the last article of impeachment to the full House, his voice was sickly.

"Unfortunate man!" he railed at Johnson, "thus surrounded, hampered, tangled in the meshes of his own wickedness — unfortunate, unhappy man, behold your doom." But Johnson escaped the doom that Stevens had prescribed for him. (Two months after the failed Senate impeachment vote, Stevens was dead.)

Unlike today's congressmen, who are sensitive about charges of vengeance and outraged that history may judge them poorly, Stevens accepted and even welcomed that possibility. History holds Stevens responsible for the pathology of hatred that hovered over the 1868 impeachment.

History will judge modern Radicals just as sternly. The principles at stake today pale by comparison to those in 1868. Neither grand history nor profiles in courage nor great biography will emerge from this spectacle.

Like Mr. Hyde, Stevens had his passionate detractors. To many, Johnson was trying to fulfill Lincoln's ideals and bind the nation's wounds while reining in the excesses of many Reconstruction bills.

The writer is the author, most recently, of "The Last Apocalypse: Europe at the Year 1000 A.D." He contributed this comment to The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1899: New Cab

OPINION/LETTERS

America's Loyalty Blotter Marches On to His Shame

By William Safire

WASHINGTON — I love a mystery. What inspires the phenomenal loyalty to Bill Clinton? He stands in the dock, impeached as a perjurer, certain of more censure, roundly denounced by even political allies for weaknesses that dishonored his office. Yet not one of the sides who call themselves betrayed has turned on him. Not one of his appointees has resigned in disgust. Not one close associate or lawyer still living has crumbled, though under intense pressure of the threat of jail, to testify against him.

Through all the revelations of deceit, his wife steadfastly grasps his hand. His political party marches lockstep down the line to protect him. And the public, in opinion polls and at the polling booth, stands by him more staunchly with each step toward historic shame. That is loyalty across the board, the likes of which America has never seen before. What's behind it?

Because his personal approval rating is far below his job approval rating, most of us have assumed that his support is strictly the product of rampant prosperity. It seems as if the majority is saying, "we're all right, Jack, and don't rock the boat."

But I have begun to wonder. Good times cannot explain it all. What, for example, undergirds the grim loyalty of Susan Mc-



public unpleasantries. Others do not want snoops prying into their own private lives. Others retain a reverence for the presidency, no matter what the leader or sibling-figure does. Add those to the hardcore liberals and minorities who see their man as a fire wall against spreading lava from the right.

But there must be something else — in some undiscovered region from which no media biggie reports — to explain the incredible attachment of this great nation to this ungreat man.

Could it be the Kulturkampf with its weapons of messy personal destruction? In this social conflict, moralizing geezers say to boomers,

"You see where all your '60s pot and protest and permissiveness have brought us?" and graying boomers reply, "Get a life and swing a little, Gramps." Meanwhile, the Self-Absorbed Generation, living in surplus, pages itself on cell phones and is oblivious to such squabbling among its buying-powerless elders.

Only partly. Could it also be partly that those victorious a generation ago in overturning an election are infatuated by any combination of cover-ups?

To prevent a "payback time" that would de-demonize Richard Nixon, the aging Good Guys of yesteryear are impelled to loyally

minimize Bill Clinton's crimes. The solution to the Clinton loyalty mystery is greater than the sum of these parts. Peeling one onion down to its tears, you discover a widespread affection for this likable lame-duck liar as fervent as a minority's distaste for him. His many weaknesses become his strength.

Loyalty, we discover, need not be a two-way street. Mr. Clinton is a loyalty blotter; he soaks it up. He is impervious to calamity because he is confident of that loyalty, which multiplies it. Even as reckoning looms, nothing sticks to him except the majority.

The New York Times.

LETTERS TO THE EDITOR

Sierra Leone 'Peacekeeping'

Regarding "The Children of Sierra Leone" (Opinion, Jan. 9):

The editorial is correct to emphasize the plight of Sierra Leone's children, but it places too much trust in the Nigerian-led intervention force supporting President Ahmad Tejan Kabbah.

The Economic Community of West African States has supported Nigeria's bid to reinstall Mr. Kabbah politically, but the subregional organization has never provided the necessary financial and logistical support. As a result, Nigeria has funded its military activities in part through plunder. Whether Nigeria resorted to such actions by necessity or by design, the West African "peacekeeping" force was less effective than it otherwise might have been.

The United Nations Security Council

must accept a great deal of "credit" for allowing such a scenario to develop. Over the past five years it has progressively sought to subcontract the promotion of peace and security to regional organizations under the guise of Chapter VIII of the UN Charter. Thus, the council appears to be doing something when in fact it is doing nothing.

The brightest prospect for Sierra Leone's children, adults, and future generations is for the Security Council to provide the appropriate means to deal with a difficult but unmanageable situation.

The council's present reliance on regional and subregional organizations is inappropriate and deleterious.

ERIC G. BERMAN,
KATIE E. SAMS,
Geneva.

The authors, visiting researchers at the

UN Institute for Disarmament Research in Geneva and at the Institute for Security Studies in Pretoria, are preparing a book on peacekeeping in Africa.

Like-Minded, Longtime Allies

Regarding "British Foreign Policy Remains Based on Two Illusions" (Opinion, Jan. 6) by Roy Denman:

The writer's account of Britain as a "poodle" of the United States is a caricature. What holds Britain back in its relationship with "Euroland" is its wholly different economic and legal philosophy.

British economic policy is more effective in delivering full employment, low inflation and foreign investment. Euroland, despite its average 10 percent unemployment and uneconomic cost of labor, re-

mains stubbornly unconvinced. The same goes for maintaining international law and order, hence Britain's inability to persuade its EU partners to take action in Yugoslavia and more recently in Iraq.

In both these respects, Britain is closer to the United States. It is not a question of sycophancy but of a long history of commerce in an atmosphere of freedom that links Britain and America.

DAVID EVERE,
MARGUERITE EVERE,
Courchevel, France.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

By Tina Rosenberg

NEW YORK — Cuban and American leaders are pondering the issue of whether a Baltimore Orioles visit to Cuba would strengthen or weaken the regime of Fidel Castro.

The question seems improbable, yet governments have long used baseball to promote their values and policies. When the Sandinistas took power in sym-

MEANWHILE

bol-crazed Nicaragua in 1979, they considered banning the sport. Instead, they decided they could use it to help build the New Socialist Man.

They began with Managua's 30,000-seat stadium, called "Anastasio Somoza García" after the father of the dynasty the Sandinistas overthrew. They renamed the stadium for the man who shot him.

Anti-American governments love to use the symbol of America as a political canvas. Baseball was exported to Mexico by American railroad engineers, to Japan by missionaries and to Panama by canal builders.

An American consul created the first Nicaraguan team in 1905. Baseball's empire encompasses mainly countries that have spent long periods in America's grip.

Resentment and revolution also flower in these environments, one reason Cuba, Nicaragua and the Dominican Republic have all had governments that might want the Yankees to win, but certainly want the Yanquis to lose.

And although foreign fans, especially Dominicans, treat their major-league players as national heroes, many also resent a baseball relationship that has mirrored America's economic and political practices abroad, with the gringos raiding the best players and then claiming their tournament as the World Series.

In Japan, *desuboro* is designed to reinforce the values of selflessness, obedience to authority, hard work and loyalty. Robert Whiting, who has written books on Japanese ball, notes that players practice to near-collapse. A players' strike is inconceivable, and few players even change teams or demand high salaries. A superstar American player who took leave from his Japanese team

when his 8-year-old son had brain surgery was fired.

Baseball stadiums in Nicaragua in the mid-1980s looked like American ballparks before the days of Beanie Baby giveaways and exploding scoreboards. In the Heroes and Martyrs of September stadium in León, Nicaragua's second-largest city, signs advertised Coke and beer, vendors sold hot dogs and the announcers hawked local restaurants.

Nicaragua's best player was Julio Medina, captain of the national team and Sandinista icon. Before the revolution, he had grown up cheering for the Cincinnati Reds, but when a scout for the Reds offered him a contract in 1984, he said, essentially: No thanks, I'd rather be an agronomist.

"The leaders of the revolution and in sports want to form a new

Governments have long used baseball to promote their values and politics.

man, both as a professional and as a sportsman," he told me at the time. Biology student by day, member of the Sandinista Youth, he even named down the *per diem* players received when traveling abroad.

When I watched him play, he shook hands with the opposing players when he reached their bases. At one point he tagged out a player trying to steal second, and as the player walked away, Julio Medina shook his hand.

For Havana, the Olympic gold medals won by Cuba's baseball players help show the superiority of socialism. Players who want to pitch for the Yankees must come to America by raft. But prerevolutionary Cuba had minor-league teams. One American scout, Joe Cambria of the Washington Senators, lived in Havana.

Fidel Castro, who pitched (right-handed) at the University of Havana had two tryouts with the Senators but was rejected — good slider, mediocre fastball. Baseball will not bring his regime to an end. But has the Senators' scout been more patient with a developing prospect, baseball might have prevented it.

The New York Times.

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INTERNATIONAL

Mentor of Netanyahu Seeks to Unseat Him Arens Joins Fight for Likud Nomination

By Lee Hockstader
Washington Post Service

JERUSALEM — Moshe Arens, an elder statesman of Israeli politics who plucked Benjamin Netanyahu from obscurity 17 years ago and tirelessly promoted his career, announced Monday that he would try to topple his old protégé as the Likud's nominee for prime minister in the May elections.

The declaration by Mr. Arens, who quit public life in 1992 after serving as foreign minister, defense minister and ambassador to Washington, stunned the conservative Likud, already in crisis following the resignation of two prominent



Moshe Arens, a former defense minister, announcing Monday that he will challenge Mr. Netanyahu.

Pollard Hurt U.S. Security Substantially, Officials Say

By Tim Weiner
New York Times Service

WASHINGTON — Adamant that President Bill Clinton refuse requests for clemency for Jonathan Pollard, an American spy for Israel, U.S. military and intelligence officials say Mr. Pollard did more damage to national security than the public has been told.

An article published in The New Yorker on Monday cites those officials as saying that Mr. Pollard, who was arrested in 1985 and is serving a life sentence, gave Israel invaluable U.S. intelligence secrets in exchange for payments of \$50,000 and promises of \$340,000 more.

Intelligence officials confirmed the gist of the magazine article, written by the investigative reporter Seymour Hersh.

U.S. intelligence officials have long suspected that information delivered to Israel by Mr. Pollard was subsequently obtained by the Soviet intelligence services — either deliberately handed over by Israel in exchange for freedom for Soviet Jews or surreptitiously obtained by Moscow's spies in Israel.

Mr. Pollard and his supporters have contended that he did not do real damage to U.S. national security and should be pardoned or paroled.

Monday is the deadline that Mr. Clinton gave U.S. military, intelligence and law enforcement agencies last month for submitting their views on the question, a response to demands for Mr. Pollard's release made by Israel in October at the Israeli-Palestinian negotiations held at Wye Plantation in Maryland.

Among the documents Mr. Pollard handed over to Israel, Mr. Hersh's article said, was a 10-volume directory of the frequencies and bandwidths of signals intercepted worldwide by the National Security Agency, which is the United States' primary electronic eavesdropping service and its biggest espionage entity.

That set of data would afford a foreign intelligence service deep insights into American techniques for spying on the world. Mr. Pollard told the author that U.S. officials had "consistently lied" about the importance of the signal intelligence he gave the Israelis.

Another set of documents divulged by Mr. Pollard, the article said, was a computerized information retrieval system containing intelligence reports filed by American spies, intelligence analysts, military attachés and citizens in the Middle East. A foreign intelligence service possessing this information could determine the identities of U.S. intelligence agents and informers.

Mr. Pollard also handed over more than a year's worth of reports from a navy surveillance station in Spain that monitored the Middle East and North Africa, the article said.

It said a fourth set was the daily list of telecommunications interceptions undertaken by the National Security Agency. Such data could help a foreign intelligence service evade detection by the United States.

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members and fears of further high-level defections. And it injected an atmosphere verging on Greek tragedy into a political season already packed with drama and suspense.

"I have been friendly with Benjamin Netanyahu for many years," Mr. Arens, 73, said, adding, "and it is true my relations with him, because of the age gap, were in many ways like those of father to son. But that doesn't change the situation the Likud is in now."

Lacking money and a political organization, the hawkish Mr. Arens is given little chance of unseating Mr. Netanyahu as Likud's leader and nominee for prime minister in the Jan. 23 party primaries. Nonetheless, his announcement reinforced a general impression within the party that Mr. Netanyahu is in a weak position as the campaign unfolds for the May 17 elections.

"If we do not manage to stop the present crisis in the Likud and stop the hemorrhaging of our top people from the party, our chances for winning the elections are not good," Mr. Arens told a news conference in Tel Aviv.

Mr. Arens, unlike some major figures in the party, has refrained from criticizing Mr. Netanyahu's performance as prime minister since he was elected in 1996, and he avoided any personal attacks Monday. Similarly, Mr. Netanyahu, who was a furniture salesman in 1982 when Mr. Arens hired him to be political counselor in the Israeli Embassy in Washington, shied away from the sort of slashing attacks that he has used against other adversaries.

"I can assure you that I have no doubt that I will receive the overwhelming support of the Likud voters in the Likud primaries and indeed of the citizens of Israel," Mr. Netanyahu said. He said Israelis "know that when it comes to protecting Jerusalem, protecting our security and negotiating the best arrangement for Israel, the person who will do it is me."

Mr. Arens is the second prominent figure within Likud to challenge Mr. Netanyahu for the party leadership. The other is Uzi Landau, a prominent hard-line lawmaker who bitterly opposed Mr. Netanyahu's decision to sign the land-for-security peace accord brokered by President Bill Clinton in October.

In addition, two so-called princes of Likud — former Finance Minister Dan Meridor and former Science Minister Binyamin Begin, only son of the late Prime Minister Menachem Begin — resigned from the party last month to announce that they would run for prime minister. Mr. Meridor is a moderate and Mr. Begin is a hard-liner, but both had major feuds with Mr. Netanyahu.

Even before Mr. Arens' bombshell Monday, Likud was on pins and needles as it awaited the decision of Yitzhak Mordechai, the popular defense minister who is openly toying with the idea of joining another party. If Mr. Mordechai backs Mr. Arens or defects from Likud, taking with him the votes of working-class and Sephardic Jews who are a crucial component of the party's constituency, it would be a near-crippling blow to Mr. Netanyahu's prospects, some observers say.

But Mr. Netanyahu remains more popular with the Likud rank-and-file, and possibly with the Israeli electorate, than he is with the party elite, and few analysts are ready to write off his chances all together.

Still, the challenge by Mr. Arens is a heavy blow to the Israeli leader. Not only did he launch Mr. Netanyahu's political career by recruiting him in Washington, but he has consistently pushed the younger man into the limelight.

Impressed by Mr. Netanyahu's fluency as a telelegenic defender of Israeli policies to American audiences, Mr. Arens used his influence in 1984 to have him appointed as ambassador to the United Nations, bypassing far more experienced candidates.

Following Likud's electoral victory in 1988, Mr. Arens, then foreign minister, intervened again to bring him into government as deputy foreign minister, in charge of relations with the U.S. Congress.

After Likud's defeat by the Labor Party in 1992, Mr. Arens resigned abruptly from public life rather than seek the party leadership. At 67, he said, he was too old to manage the party's renewal. That cleared the way for Mr. Netanyahu to seize control of Likud and, four years later, lead it to victory.

Orlandus Wilson, 81, whose bass voice was the foundation of the Golden Gate Quartet's gospel harmonies, died on Dec. 30 in Paris, where he lived.

The Golden Gate Quartet had a huge influence on American sacred and secular music. Performing in clubs and concert halls as well as churches and back-up blues singers such as Lead Belly and Josh White, the quartet demonstrated that gospel had all the vitality of secular music. Its driving versions of spirituals were a model of vocal harmony for groups from the Dixie Hummingbirds to the Spaniels. Mr. Wilson, who joined the group in 1934, provided its syncopated bass lines for six decades.

Mr. Wilson was born in Chesapeake, Virginia. When he joined the Golden Gate Jubilee Singers in 1934, all four members were still in high school.

Two years later the group was singing five days a week for a radio station in Columbia, South Carolina, and in 1937, they signed to RCA Records' Bluebird label. In 1938, they were part of the

program at John Hammond's historic "Spirituals to Swing" concert at Carnegie Hall, sharing the bill with Joe Turner, Sidney Bechet, Lionel Hampton and Benny Goodman.

The group moved to Columbia Records in 1941 and shortened its name to the Golden Gate Quartet.

In 1958, after a 28-country tour sponsored by the State Department, the Golden Gate Quartet relocated to Paris. With Mr. Wilson as its manager and arranger, the group continued to be a major concert draw.

Mr. Wilson announced his retirement from performing with the quartet in October but continued to oversee rehearsals for his replacement, Andrew Freeman.

He is survived by his wife, Gail, and a son, Charles, of California.

Marquess of Bristol, Prodigal Son

BURY ST. EDMUNDS, England (AP) — The Marquess of Bristol, 44, who squandered millions of his family's fortune on drugs and was jailed twice for drug possession, has died at his farm-

house in Suffolk, England, an agent for his estate said.

Simon Pott said Sunday that Lord Bristol, born Frederick William John Augustus Hervey, died in his sleep and was found Sunday morning at the house on the family estate near Bury St. Edmunds. He did not disclose a cause of death, but said Lord Bristol had been suffering from a flu-like illness for a short time.

The 7th Marquess of Bristol, who inherited the title in 1985 when his father died, led a colorful and troubled life, courting publicity almost every step of the way. He became a registered drug addict in 1984, meaning he had signed with his National Health Service doctor for treatment of his addiction. He later served a total of 19 months in prison for cocaine and heroin possession. At one of his trials, in 1993, it was estimated his addiction had cost his family about \$7 million (\$11.5 million) in 10 years.

In 1984, Lord Bristol married Francesca Fisher, the daughter of a property developer in Marbella, Spain, but the union ended in divorce.

Lord Bristol's half-brother, Lord Frederick Hervey, 19, will become the 8th Marquess of Bristol.

Clare Pottier, 95, Fashion Designer

NEW YORK (NYT) — Clare Pottier, 95, a leading American fashion designer of the 1930s and '40s known for imaginative use of color and simplicity of line, died Jan. 5 at her home in Port Autr, New York. The cause of death was not disclosed.

Ms. Pottier was one of the designers credited with inventing American sportswear, a style that has influenced designers all over the world. She was a featured designer at Lord & Taylor when the store was headed by the legendary Dorothy Shaver, and received the first Lord & Taylor Design Award in 1938 for "distinguished designing in the field of sportswear clothes for women."

"She was incredibly important," said Richard Martin, the curator of the Costume Institute of the Metropolitan Museum of Art. "She was one of that first group in the 1930s

CLINTON: History Is the Judge

Continued from Page 1

trial is I think it gives us a record for history and I think the record would be more favorable for us than the record that exists now," Mr. Carville said.

But senior White House officials have resisted such an approach.

Instead they have been pushing — sometimes against Mr. Clinton's own instincts — for a censure resolution that would denounce him for his actions in trying to cover up his affair with Monica Lewinsky during legal proceedings.

Unlike an outright acquittal, such a resolution could undermine Mr. Clinton's attempts to portray this process as nothing more than vindictiveness by his enemies, particularly if both parties come together to support censure as they did during the debate last week over trial rules.

Few would say so publicly, but White House strategists saw bad news in the 100 to 0 decision Friday by the Senate to put aside differences and set procedures for the trial because it served to legitimize a process they have been able to dismiss as Republican perfidy because of the consistent party-line votes in the House.

"If he is censured, history is going to look less kindly on him than if he's not censured, that's for sure," said George Edwards, director of the Center for Presidential Studies at Texas A&M University. "It gives a substantial amount of legitimacy to all of the flagging of Clinton that's taken place in many quarters."

The costs of a protracted trial, though weighed more heavily for many White House officials who desperately want to end a political crisis that will have enveloped the administration for a full year of next week. And some advisers concluded that censure might yet prove useful in shaping the historical depiction of this period.

"It will isolate this as an act of poor judgment, hold him accountable for it but still allow people to put it in perspective in the long run of history," said Lanny Davis, a former White House special counsel.

"I'm not sure the president would agree with that. But, among his friends and supporters, there is a feeling that censure is necessary for him to get closure and for his presidency to be judged fairly."

Moreover, as some advisers see it, the best way to shape history will be for Mr. Clinton to finish on a political high and the best way for him to do that will be to secure major accomplishments on the policy front before the 2000 political calendar makes it impossible.

In this view, restructuring Social Security or Medicare to avert financial insolvency will go a long way toward improving the Clinton legacy.

But would a quick resolution of the Lewinsky matter be so unsatisfying for diehard opponents that they would feel the need to take out their frustration by blocking his initiatives? Or would a long trial so poison relations that the Democratic president could no longer work effectively with the Republican Congress?

Aides clearly worry about the second calculation.

In the view of many critics, it will not make a difference what the Senate trial ends because impeachment by the House amounted to the ultimate censure; Mr. Clinton's place in history, they believe, is set.

"If history's accurate, it's not going to be good," said John Whitehead, president of the Rutherford Institute, which financed Paula Jones's lawsuit against Mr. Clinton.

"I don't think he's going to go down as the worst president ever. But he's going to be remembered as an embattled president who had problems with telling the truth and issues of morality."

"You can't get away from it. He's going to be marked forever. And it's his fault."

The events of 1998 and 1999 are being captured on videotape for future generations to judge for themselves. That offers some solace to Clinton advisers who believe he will have the same effect on future Americans as he has had on today's voters.

"One hundred years from now, people will look at the film of the president and the film of the other people, and people don't change," said a person close to the president.

"In the year 2099, it's going to be 72 percent believe that it was just trumped up charges, 28 percent are going to believe the guy was a crook and should have been ousted with a stake in his heart," he continued. "It's frozen in time for eons."

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BORED OF EDUCATION — Under a banner reading "We Will Win," hundreds of striking students gathered in central Athens on Monday to protest legislation to reform Greece's educational system.

2 U.S. Jets Fire on Iraqi Missile Sites

Compiled by Our Staff From Despatches

WASHINGTON — Iraq continued to challenge U.S. jets patrolling its no-fly zones Monday, drawing new missile fire from American aircraft.

Two U.S. F16Cs fired a high-speed anti-radiation missile (HARM) at a second site at virtually the same time, Lieutenant Colonel Steve Campbell said.

The two incidents took place after the U.S. planes were illuminated by Iraqi radar.

There was no damage to U.S. aircraft, and damage to the Iraqi sites was being assessed, the Pentagon said.

Secretary of State Madeleine Albright, meanwhile, announced that she

would travel to Riyadh and Cairo later this month for talks on Iraq and the Middle East peace process.

The two-day visit to the Saudi and Egyptian capitals will come after Mrs. Albright's talks in Moscow from Jan. 27 to 29, said James Ruhm, the State Department spokesman.

In Saudi Arabia, foreign ministers of six Arab Gulf nations gave cautious support to a Saudi proposal that seeks to press the United Nations to lift its trade embargo on Iraq while maintaining the ban on military equipment or material that could be used for military purposes.

Deputy Prime Minister Tariq Aziz of Iraq was quoted by the official Iraqi News Agency as saying that Iraq "categorically rejects the so-called Saudi initiative."

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Monday's 4 P.M. Close

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The 2,300 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere

The Associated Press.

12 Month

Monday's 4 P.M. Close

The 2,300 most traded stocks of the day.

Noteworthy prices not reflecting late trades elsewhere.

The Associated Press.

12 Month High	Low	Stock	Div	Yld	PE	52 Wk High	Low	Last	Chg.
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2249 177% AAPL	\$	24	16	15	1617	2206	2056	2157	-1
27 25 ABBI	\$	17	12	22	1589	2575	2570	2575	-1
2556 25 ABIM	of	188	73	73	1589	2575	2570	2575	-1
2274 144 ABIN	Adv	46	36	36	111	171	1685	1724	+1
43 249 ABLE	Leis	36	11	11	1685	2254	2250	2250	-1
1119 75 ACB	ACB	52	42	42	1085	1792	1792	1792	-1
1095 75 ACIA	ACIA	50	30	30	10107	1425	1425	1425	-1
1246 75 ACIMAD	ACIMAD	12	8	8	525	9	854	854	+1
2048 198 ACIRES		10	5	5	51	2222	2244	2256	+1
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2249 177% ACDG	Res	1.08	49	49	14	25	2570	2570	-1
26 49 ACDG ECR		49	14	14	25	25	2570	2570	-1
1246 49 AJL		1.41	94	94	14	148	254	254	+1
2494 129 AM	AM	30	10	10	1024	1254	1254	1254	-1
26 205 AMB	Pty	1.37	41	41	15	15	1119	1119	-1
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26 249 AMZ ECR		1.24	45	45	15	15	2570	2570	-1
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Herald Tribune
BUSINESS/FINANCE

TUESDAY, JANUARY 12, 1999

PAGE 11

Greenspan Sees a Mild Slowdown

Compiled by Our Staff From Dispatches

HONG KONG — Alan Greenspan, chairman of the U.S. Federal Reserve Board, told Asian central bank chiefs on Monday that any slowing of the U.S. economy would be "relatively moderate," according to Andrew Crockett, head of the Bank for International Settlements.

Mr. Crockett quoted Mr. Greenspan, who did not speak to the press, as saying that a slowdown was expected but would "still leave a satisfactory economic position."

That was a measure of good news for the 17 central bank chiefs — 11 from Asia — attending the meeting of the BIS in Hong Kong. Asia is counting on continued U.S. economic strength to help pull the region out of its worst recession in more than 50 years.

Mr. Crockett, general manager of the BIS, said after the one-day meeting that the group was predicting an economic recovery in Asia this year. He said Masaru Hayami, the governor of the Bank of Japan, told the gathering that Japan's economy would return to "modest" growth next year.

The sense was in Asia the situation is relatively difficult but the worst part of the cycle is over," Mr. Crockett said, "and there will be some recovery from now on." But he said no concrete measures had emerged from the five-and-a-half hours of talks, which were intended to provide a forum for informal discussion.

He said that the central bankers had agreed that the world economic environment was "a reasonably positive one" and that Asia was "on the mend" but that efforts to shore up shaky banking systems needed to continue.

The role of hedge funds, blamed by many Asian leaders for destabilizing their economies through market speculation, was also discussed, Mr. Crockett said. The central bankers discussed greater transparency and a "level playing field" to monitor the movements of hedge funds, he said without elaborating.

Mr. Greenspan, who had met Chief Executive Tung Chee-hwa of Hong Kong earlier, is to head to Beijing on Tuesday for talks with Chinese central bankers. (Bloomberg News, AFP)



STORM CENTER — The Hong Kong headquarters of GTIC on Monday, as foreign investors assailed Beijing's handling of the bankruptcy of the investment arm of the Guangdong provincial government. Page 13.

BAT to Buy Rothmans for \$7.6 Billion

Compiled by Our Staff From Dispatches

LONDON — British American Tobacco PLC, the second-largest cigarette maker in the world, said Monday that it was buying the fourth-largest cigarette maker, Rothmans International BV, for \$4.6 billion (\$7.6 billion) in stock.

The new company, which plans to retain the name British American Tobacco PLC, would have a 16 percent share of the world market, trailing only Philip Morris Cos.

Brands of the merged company would include Kent, Lucky Strike, Dunhill, Benson and Hedges, Peter Stuyvesant, Rothmans and Parisienne. BAT is British-based, and Rothmans International is based in the Netherlands. Together, they produced more than 900 billion cigarettes in 1997, the companies said.

This merger represents a major step forward in the achievement of our vision to become the world's leading international tobacco company," the BAT chairman, Martin Broughton, who would chair the merged company, said.

There had been speculation BAT was talking about a deal with R.J. Reynolds Tobacco Co., No. 3 in the international market. "This is the best alternative available to us," Mr. Broughton said. "It gives us clear leadership in the

emerging markets. The Reynolds deal wouldn't give us that."

A BAT spokesman said there would be some job losses but that it was too early to say how many there would be.

Rothmans' majority owners, the Swiss-based Compagnie Financiere Richemont AG and Rembrandt Group Ltd. of South Africa, would own 35 percent of the new company. Richemont owns two-thirds of Rothmans, while Rembrandt holds one-third. Both Richemont and Rembrandt are controlled by the family of Anton Rupert, 62, who founded Rembrandt in 1945. His son, Johan Rupert, 48, is chief executive of Richemont and chairman of Rembrandt.

BAT and Rothmans said the transaction, subject to approval by authorities and shareholders, should be completed by June. The combined company would have leading positions in 55 markets and is likely to come under the scrutiny of Western European and Asia-Pacific regulatory authorities.

The deal unites companies valued at an estimated \$21.5 billion.

In a joint statement, the companies and shareholders said the deal "increases proportion of sales volume derived from international brands, which will improve overall margins."

The takeover strengthens BAT "in mature, stable markets like Europe and also strengthens them in the key growth markets of Asia-Pacific, Africa and the Middle East," said Nick Bunker, an analyst at HSBC Investment Bank PLC.

"This is a much better deal than anything BAT could have done with RJR and puts a question mark over RJR's future."

RJR has said it is seeking a partner for its international business, and analysts had long concluded BAT would make the best match. BAT's purchase of Rothmans virtually eliminates it as a potential buyer, however, analysts said.

Mr. Broughton said a bid for RJR

Tobacco was off its agenda.

RJR's U.S. market share has stalled, its U.S. cigarette sales are expected to fall amid an industrywide price increase and its Nabisco Holdings Corp. cookie and cracker affiliate is in the midst of a turnaround effort.

BAT plans to pay for Rothmans with 604.3 million new common shares and 241.7 million preferred shares. At the same time, BAT is to pay current shareholders a final dividend of 16 pence a share and a special interim dividend of 4 pence July 1. Shares in BAT surged 96 percent, to \$38. Rothmans stock is not listed. (AP, Bloomberg)

Dollar Falls Against Yen Amid Hopes for Japan

Bloomberg News

NEW YORK — The dollar's plunge against the yen accelerated Monday, dropping the U.S. currency to levels last seen more than two years ago, as traders speculated that the Japanese economy may have bottomed out.

The dollar was also hurt by talk in the market that the United States is not concerned about the decline of the dollar; it has lost about a quarter of its value against the yen since mid-August.

"Over the last couple of months, there's been a growing sense that the

U.S. has been

various policy measures from Japan have been sufficient to stabilize the economy," said Lisa Finsstrom, a currency analyst at Salomon Smith Barney. "That has taken away the selling pressure exerted on the yen for about a year."

A series of proposed spending plans and tax cuts to lift Japan from its year-long recession culminated in November with the approval of a supplementary \$24 trillion yen (\$215 billion) budget. Japan's government is also spending 60 trillion yen to bail out its ailing banking system.

The yen also got a boost from speculation Japanese investors and companies, eager to show gains on their balance sheets before the fiscal year ends March 31, will sell higher-yielding assets overseas and convert the dollar proceeds to yen. Furthermore, a surge in Japanese government bond yields in recent months is attracting Japanese investment away from the United States.

"There's some repatriation by Japanese investors who are mindful of the potential for further yen appreciation," said Alan Wilde, a manager at Scottish Mutual Portfolio Management in Glasgow.

Max Darnell, a partner at First Quadrant LP, which oversees \$28 billion in assets in Pasadena, California, said the higher yields in Japanese bonds prompted him to increase his holdings of the securities "a couple of percentage points" in most portfolios.

"The recent bump up in yields at the long end of the curve has lifted the yen," he said.

The U.S. Treasury, meanwhile, denied speculation in the market that it was not concerned about the dollar's fall against the yen. "The story is not an accurate reflection of Treasury views," said Howard Schloss, the Treasury's chief spokesman.

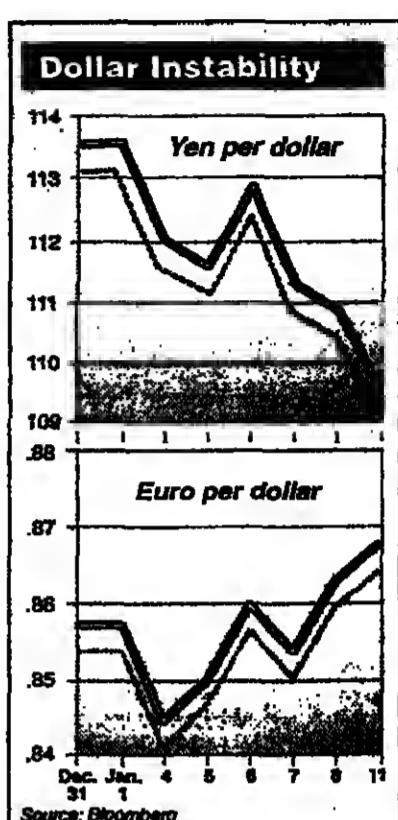
In 4 p.m. trading, the dollar fell to 108.675 yen from 111.03 yen Friday.

The dollar strengthened against the European single currency, with the euro falling to \$1.1497 from \$1.1659 on Friday, as reports showed a slowing economy in Germany, the largest of the 11 nations that adopted the euro.

In Germany, orders to the manufacturing industry fell in November. That, combined with a report Friday showing that German unemployment unexpectedly rose in December, may give the European Central Bank reason to cut European interest rates to boost growth.

That would make returns on dollar-denominated investments more attractive.

In other trading, the pound fell to \$1.6295 from \$1.6422. The dollar rose to 1.4000 Swiss francs from 1.3940 francs.



Source: Bloomberg

Thinking Ahead / Commentary

Clinton's Fate No Big Deal to Markets

By Reginald Dale
International Herald Tribune

WASHINGTON — How much will the fate of President Bill Clinton affect financial markets and the future of the U.S. economy? Whatever Mr. Clinton and his supporters might want you to think, the realistic answer has to be "probably not very much."

The official opening of his trial in the U.S. Senate last week did not stop Wall Street from hitting new highs. Currency markets have tended to be more susceptible than stock markets to developments in the impeachment saga, but that may be partly because foreigners are sometimes more alarmed than Americans by leadership crises in Washington.

Ask U.S. business executives about political gridlock in the capital and many will tell you they could not be happier. Anything that paralyzed government and leaves business free from interference can only be welcomed, they say.

Unlike citizens of many other countries, Americans are used to the idea of a relatively weak central government, hemmed in by checks and balances as the Founding Fathers intended. That does not prevent many Americans from erroneously associating the president with the nation's economic well-being.

Mr. Clinton's supporters would certainly argue that his continued presence is necessary to keep the economy growing strongly, as it has, by a fortunate coincidence, since he first took office. But investors are increasingly beginning to differ.

According to David Hale of the Zurich Group of financial companies in Chicago, investors are now so confident that economic globalization and technological innovation are mainly responsible for America's current strength that many believe that "politicians have become irrelevant to the process."

As in the period immediately before World War I — the previous high point of globalization — there is a widespread belief that business and corporate leaders, not politicians, are the dominant personalities reshaping the global eco-

As one top Washington trade lawyer puts it, "Mr. Clinton's leadership on trade can hardly be missed, as he hasn't been showing any for the last four years."

won't be removed from office. If he were, says Thomas Gallagher of Lehman Brothers in Washington, there would probably be "a sharp but short negative reaction" in the markets.

Once it was clear that Mr. Clinton's economic team would remain in place, and continuity was established under Mr. Gore, confidence would quickly return. There could be new hope of a fresh start after a period in which Mr. Clinton's problems and partisan wrangling in Congress have weakened U.S. world leadership.

Certainly if Mr. Clinton stays in office, the prospects will not look great for cooperation between the White House and the Republican-led House of Representatives, which impeached him, to tackle important issues such as Social Security reform.

Politicians are not completely irrelevant. The government in Washington still controls the key levers of budgetary, tax, trade and regulatory policy. The president can order U.S. forces into battle at any moment, as Mr. Clinton recently did against Iraq.

But Wall Street and the U.S. economy are more liable to be thrown off course by a financial crisis in Brazil or a sudden plunge in corporate profits than by the Senate's verdict on Mr. Clinton, whichever way it goes.

E-mail address: ThinkingAhead@washpost.com

CURRENCY RATES

		Jan. 11					
		Other Dollar Values			Jan. 11		
		Per U.S.	Per Euro	Per Swiss	Per Yen	Per Canadian	Per British
London (0)	1.6401	2.292	2.4725	10.933	460.42	12.0715	7.863
New York (0)	1.62958	2.108475	1.62055	6.6226	282.15	7.863	
Tokyo	110.45	181.23	79.24	72.56	17.17	13.94	
Toronto	1.5068	2.4555	1.0736	1.3848	—	0.534	0.1913
Zurich	1.3963	2.267	—	1.2822	0.9724	21.6532	0.171
One euro	1.1569	0.7044	1.6104	12.633	1.7463	9.4433	323.40
One SDR	1.4124	0.8596	1.3643	2.1303	9.0634	394.43	11.465
Interest rates excluding commissions.							
* To buy one pound. To buy one dollar. ** Not available. N.A.: not available.							
** Special drawing rights of the IMF.							
Source: Bank of Tokyo-Mitsubishi (Tokyo); Royal Bank of Canada (Toronto); Bureau de France (Paris); IMF (SDR). Other data from Reuters.							
Euro Values							
* Fixed rates of the EMU member currencies. Source: euro							
** American exchange rate. Source: Bank of America (New York); Royal Bank of Canada (Toronto); Deutsche Bank (Frankfurt); Societe Generale (Paris); Banque de France (Paris); Commerzbank (Frankfurt); Crédit Lyonnais (Paris); Dresdner Bank (Frankfurt); HypoVereinsbank (Munich); KfW (Frankfurt); Landesbank Baden-Wuerttemberg (Stuttgart); Landesbank Hessen-Thüringen (Frankfurt); Landesbank Nordhessen (Kassel); Landesbank Rheinland-Pfalz (Kaiserslautern); Landesbank Sachsen-Anhalt (Halle); Landesbank Sachsen (Dresden); Landesbank Thüringen (Weimar); Raiffeisenbank (Frankfurt); Volksbank (Frankfurt); WestLB (Düsseldorf).							
Source: Bank of America (New York); Royal Bank of Canada (Toronto); Deutsche Bank (Frankfurt); Societe Generale (Paris); Banque de France (Paris); Commerzbank (Frankfurt); Crédit Lyonnais (Paris); Dresdner Bank (Frankfurt); HypoVereinsbank (Munich); KfW (Frankfurt); Landesbank Baden-Wuerttemberg (Stuttgart); Landesbank Hessen-Thüringen (Frankfurt); Landesbank Nordhessen (Kassel); Landesbank Sachsen-Anhalt (Halle); Landesbank Sachsen (Dresden); Landesbank Thüringen (Weimar); Raiffeisenbank (Frankfurt); Volksbank (Frankfurt); WestLB (Düsseldorf).							

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GITIC Move Irks Foreign Banks

By Mark Landler
New York Times Service

HONG KONG — Foreign banks are angry about China's announcement that Guangdong International Trust & Investment Corp. will file for bankruptcy and that creditors will have to go through the Chinese legal system to claim what they are owed.

More than 100 foreign creditors of Guangdong International, known as GITIC, were told Sunday that the company would file for bankruptcy. The move will put the foreign banks at the end of a long line of creditors seeking repayment of GITIC's debts, which total \$4.3 billion.

"There's a lot of anger," said one executive at a financial company with loans outstanding to GITIC. "The general tone of the meeting is that they were disorganized and unresponsive to the needs of the creditors."

The executive, who spoke on condition of anonymity, said creditors were particularly shocked that Beijing was unwilling to repay loans that had been registered with the State Administration of Foreign Exchange. Historically, the government has guaranteed such loans with state funds. But some analysts said the government might have decided to treat GITIC's creditors this way to drive home a larger message: It will not bail out foreigners who lend indiscriminately to provincial companies.

"This is not a decision taken lightly," said T.L. Tain, who follows China for his own consulting firm in Hong Kong. "It is obviously a setback for the banks. But the government probably took the view that the banks needed to know there was risk to supporting these companies."

Still, some analysts said they doubted that foreign creditors would cease lending to Chinese companies. Chinese officials have gone to pains to say that GITIC's bankruptcy is an individual case, rather than a harbinger of financial distress throughout state-owned companies.

Although analysts warn that other investment-trust companies may follow GITIC into insolvency, China still seems stronger than many other Asian economies. While Japan and other Asian countries are mired in recession, Beijing is predicting its economy will grow 7 percent in 1999. In a display of its economic muscle, China raised \$1 billion in a global bond offering last month.

"Bankers will go where the money is," Mr. Tsim said. "Creditors may want extra guarantees, but how can you ignore the opportunities of the China market?"

But GITIC could serve as a case study of the dangers of throwing money at Chinese ventures. The company was established in 1980 as the main fund-raising arm of the Guangdong provincial government.

Riding the boom in China's most economically fertile region, GITIC expanded into just about anything, from securities to silk.

But by autumn, it was sinking under billions of dollars of debts to creditors, and Beijing shut it down Oct. 6.

China's Trade Surplus Tops \$43 Billion

Figure Sets a Record as Sales to Europe and U.S. Offset Asia's Slide

Compiled by Our Staff From Dispatches

BEIJING — The trade surplus grew 7.9 percent to a record \$43.5 billion last year, the Chinese government said Monday, as rising shipments to Europe and North America offset the effects of the recession in Asia.

Exports inched up 0.5 percent to \$183.7 billion, while imports fell 1.5 percent to \$140.17 billion, the official Xinhua press agency reported, quoting customs data.

In 1997, imports rose 2.5 percent and exports surged 20.9 percent.

Trade volume fell 0.4 percent last year, the first drop in total imports and exports since 1983, the report said.

Asia's economic troubles caused China's trade with the region to shrink last year after two decades of rapid growth. In the first nine months of 1998, exports to the rest of Asia fell 6.3 percent from the like period in 1997.

Being compensated by prodding companies to export more to North America, Europe and other markets, causing trade imbalances with those regions to expand.

The trade surplus with the United

States, for instance, rose 14.8 percent to \$47.89 billion in the first 10 months of 1998 from the like period in 1997, the U.S. Department of Commerce reported last month. China tends to report a smaller surplus in its figures, but American officials have said repeatedly that the U.S. Congress will not accept a continuing imbalance of trade that runs about 5-to-1 in China's favor.

China is one of the world's 10 biggest trading nations, yet it is not a member of the World Trade Organization. Leading trading nations have said Beijing is not offering to open its markets enough to grant it membership in the global trade body.

The record Chinese trade surplus was bolstered by a surplus of about \$2.3 billion in December alone, Xinhua said.

Exports in December rose 4.3 percent from a year earlier, to \$20 billion, their first year-on-year increase in five months. Imports fell 7.4 percent, to \$17.7 billion, Xinhua said.

Amid the Asian economic crisis, the government has adopted a variety of measures to stimulate exports.

"Our exports witnessed an extremely severe situation in 1998," Xinhua said. "It's a hard-won achievement to realize growth in exports, although the growth rate has slowed sharply from previous years."

At the same time, it said, a government anti-smuggling drive begun last year had "effectively curbed smuggling activities." (Bloomberg, Reuters)

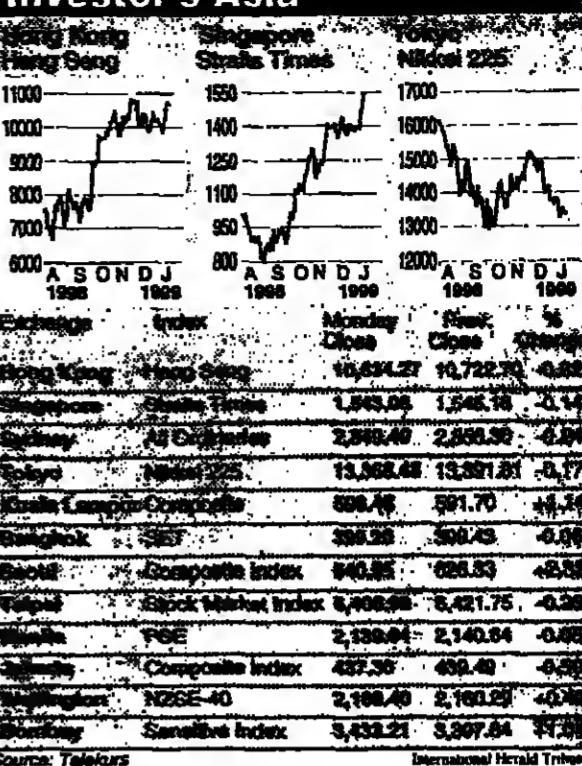
Improved Accounting Urged

China must keep shareholders better informed and standardize its brokerage industry if it hopes to attract investors, according to the country's top securities regulator. The Associated Press reported from Shanghai.

Zhou Zhengqin, chairman of the China Securities Regulatory Commission, made the comments in a speech marking 20 years of economic reforms, a state newspaper reported.

Mr. Zhou called on companies to improve financial reporting to shareholders, and he urged executives to study a securities law issued last month by the legislature that banned insider trading.

Investor's Asia



Source: Telkaus

International Herald Tribune

Very briefly:

• Thailand's Securities and Exchange Commission imposed a fine of 211 million baht (\$5.8 million) on a director and a shareholder of Thai Telephone & Telecommunication PCL for using inside information to sell shares in 1996.

• South Korea's central bank more than tripled its forecast for growth in gross domestic product this year, to 3.2 percent from a forecast of 1.0 percent in December. Bank of Korea cited higher industrial production and consumer spending as reasons for the revision.

• Cement SA of Mexico, the world's third-largest cement maker, agreed to pay JG Summit Holdings Inc. \$400 million for a 99 percent stake in Apo Cement Corp., owner of the Philippines' biggest cement factory.

• Australia's two best-known gold barons, Robert Champion de Crespigny and Joseph Gutnick, offered to buy the 60 percent of Great Central Mines Ltd. they did not already own for 276 million Australian dollars (\$175.5 million).

• Malaysia's industrial output fell 4.7 percent in November from a month earlier, the third drop in four months and the largest one in nine months, as manufacturing slowed, the Department of Statistics said.

• Long-Term Credit Bank of Japan Ltd. chose Goldman, Sachs & Co. as financial adviser for the sale of the bank's businesses. LTCB was declared insolvent and nationalized in October.

AP, Bloomberg

LG's Demand for Job Security Sets Back Talks With Hyundai

Agence France-Presse

SEOUL — Talks between the South Korean conglomerates Hyundai and LG on the details of their semiconductor merger hit another snag Monday after LG Semicon Ltd. demanded full job security.

LG said it would not resume talks on the semiconductor merger without a pledge from Hyundai to absorb all 9,600 employees at LG Semicon and retain them for as long as seven years.

"We will discuss details such as prices only after Hyundai agrees to hire all LG Semicon employees," said Kang Yoo Shik, head of LG Group's restructuring team.

He also called for payment in cash from Hyundai in return for taking over LG Semicon. The demands came five days after LG agreed to hand over control of its

chip operations to Hyundai Electronics Industries Co. Hyundai officials refused to comment, saying only that talks should be completed this month as agreed.

Analysts have predicted difficulties for the talks between the groups, citing sharp differences over the valuation of LG Semicon's assets. LG Group's stock in its memory-chip business is believed by some to be worth around 1.3 billion won (\$1.1 billion). But LG has demanded more, and Hyundai officials say LG Semicon is overestimating the value of its assets.

The LG-Hyundai accord followed four months of talks about which of the companies would control the new entity. Completion of the deal would mark the first real progress in Seoul's drive to consolidate its semiconductor industry.

Thailand to Support Commodity Prices

Bloomberg News

BANGKOK — The government will intervene in trading of as many as five agricultural commodities if needed to support prices and ensure that producers can at least break even, Finance Minister Tarrin Nimmamchaew said Monday.

The government will buy or sub-

sidize production of rice, shrimp, rubber, pineapples and potatoes.

Mr. Tarrin said Thailand is the world's largest exporter of rice, natural rubber and canned pineapple.

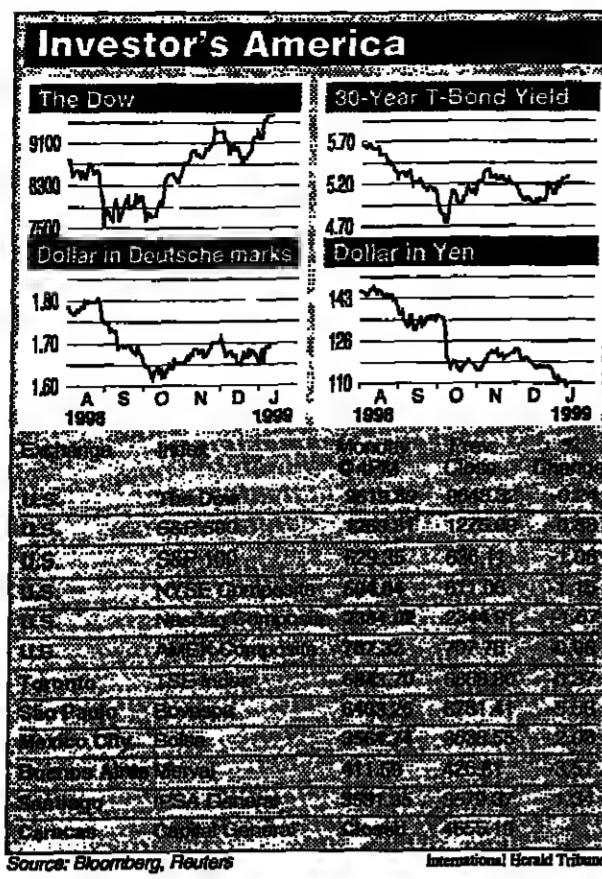
On Monday, the government began buying and stockpiling rubber from local farmers whose earnings have plummeted as world rubber prices dropped more than 40 percent in four months, in part because of weaker demand from Asia.

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Blue Chips Retreat, but Nasdaq Soars Again

Compiled by Our Staff From Dispatches

NEW YORK — Blue-chip stocks pulled back from record levels Monday, but a rally in technology and Internet shares lifted the Nasdaq composite index into uncharted territory for a 10th consecutive session.

At the close, the Dow Jones industrial average was down 23.43 points to 9,619.89, and the Standard & Poor's 500 index was down 11.28 at 1,263.81.

Declining issues outnumbered advancing ones by a ratio of about 2-to-1 on the New York Stock Exchange.

But the Nasdaq composite was up 39.69 at 2,384.10. Fueling the rise were sharp gains in technology stocks, including Intel and Dell Computer and Internet shares such as Amazon.com, Yahoo! and Infoseek.

"It just gets more incredible

every day," Barry Hyman, senior equity analyst at Ehrenkrantz King Nussbaum.

Intel, the biggest maker of computer chips, climbed 94 to 139.7/16. After a surge in holiday computer buying, Intel is expected to report a sharp increase in its profit for the period.

U.S. STOCKS

But blue-chip stocks were dragged down by concern that recent gains have made these shares too expensive, given the outlook for corporate profits.

"Shares rose too far too fast in a remarkable week in the market," said Franklin Morton, research chief at Ariel Capital Management in Chicago.

American Express, which gained 32 percent in the fourth quarter, was

among the biggest decliners in the

Dow, falling 2.4 to 105.13/16. General Electric, which rose 28 percent in the quarter, fell 2.11/16 to 99.11/16.

Campbell Soup fell 7 to 454 after the company said earnings in its 1999 financial year would probably fall short of analysts' expectations, as the company cuts costs and reduces shipments of condensed soup in the U.S.

But General Motors rallied 6 to 86.1/16 after a J.P. Morgan Securities analyst, David Bradley, raised his 1999 earnings estimate for the automaker.

Analysts noted that the losses in other blue chips were subdued, given the size of the recent gains.

"From time to time the excesses have to pause," said Larry Wachtel, market analyst at Prudential Securities. "But it isn't like we're getting clobbered here."

Internet shares continued to surge. The on-line brokerage firm

E*Trade Group jumped 20% to 83 1/8 after reporting a smaller-than-expected loss for its first quarter.

America Online gained 18% to 164 1/4 after Jonathan Cohen, an analyst at Merrill Lynch, said shares of the No. 1 on-line service could reach 195 in the next 12 months. Mr. Cohen reiterated his near-term "buy" rating on the stock.

Yahoo! surged 73% to 417 after the company, which provides the largest Internet directory, said it had signed a distribution agreement with International Business Machines to make the service available through IBM's new Aptiva computers.

Meanwhile, rose 1% to 189.5/16.

The prices of Treasury securities fell, with the benchmark 30-year bond, down 14/32 point at 99.5/32. That pushed the yield up to 5.30 percent from 5.26 percent.

(AP, Bloomberg)

Goldman Co-Chief Steps Down

Compiled by Our Staff From Dispatches

NEW YORK — Jon Corzine resigned Monday as co-chief executive of Goldman, Sachs Group LP after the investment bank's bond business posted huge losses in its fourth quarter, derailing plans to go public.

Mr. Corzine, 52, will keep his job as co-chairman with Henry Paulson, 52, who becomes the sole chief executive at the biggest Wall Street partnership. Mr. Corzine will step away from day-to-day operating responsibilities to guide the firm's plans to sell stock to the public for the first time and dissolve Goldman's 130-year-old partnership, the firm said.

"I believe this is in the best long-term interest of the firm," Mr. Corzine said in a statement.

"As we transition management at the top, I will now concentrate my energies on successfully completing our initial public offering."

Goldman canceled the offering in September after trading losses slashed fourth-quarter pretax profit 81 percent to \$107 million, the firm's worst performance since 1994.

A company statement did not say when Goldman might again attempt its offering, but a source close to the company said it would probably be this spring because of strong results for the quarter ending Feb. 28.

John Thain, 43, and John Thornton, 45, were named co-chief operating officers, and the firm created a 15-member management committee to replace its executive committee. That sets them up to lead the firm jointly one day, the Goldman source said. Mr. Thain was Goldman's chief financial officer, and Mr. Thornton had been in charge of international operations.

Some executives have said Goldman could have a market value of \$30 billion. The firm canceled the public offering days after 14 banks and brokers, including Goldman, bailed out Long-Term Capital Management LP, a hedge fund that lost more than \$4 billion on bonds.

Goldman, under Mr. Corzine, made many of the same bets as the fund, executives said.

(AP, NYT, Bloomberg)

Lucent Sets a Deal and May Be Close to Another

Compiled by Our Staff From Dispatches

NEW YORK — Lucent Technologies Inc., the largest maker of telecommunications equipment in the world, said Monday it was buying Kanan Systems Corp., a provider of billing software, for about \$1.5 billion in stock.

But Lucent was also reportedly on the verge of a much larger deal for Ascend Communications Inc., a computer networking supplier based in Alameda, California. The Financial Times and USA Today reported that Lucent was close to a deal to buy Ascend for as much as \$16 billion.

Lucent and Ascend declined to comment on the newspaper reports. But investors responded by pushing up Ascend's stock price by \$5.25 to close at \$76.6875. Lucent's shares fell \$2.125 to \$112.975.

Under the terms of the deal announced Monday, Lucent will exchange about 12.9 million shares of its stock for Kanan, which is privately held. Kanan will become a subsidiary of Lucent and retain its headquarters in Cambridge, Massachusetts, the companies said.

Dan Stanzione, Lucent's chief operating officer, said he expected the acquisition to contribute to Lucent's growth outside the United States.

Kanan's customers include communications carriers such as British Telecommunications PLC, MCI WorldCom Inc. and France Telecom SA. Kanan customers outside

the United States generate about 40 percent of the company's revenues.

"We weren't a player in this business so we decided to jump to the head of the pack by acquiring the hottest player in the business," Mr. Stanzione said.

Adding Ascend, meanwhile, would give Lucent the powerful computer switches it needs to compete with Cisco Systems Inc. in the market for Internet gear sold to phone companies.

Ascend has developed a computer switch for routing large amounts of data on phone networks that Cisco will not be able to match until midyear, analysts have said.

Perhaps to clear the decks for

such a deal, Ascend is expected to

announce soon that it is selling its Stratus Enterprise Computer Division for more than \$100 million to a group led by Investcorp, the Middle East investment group.

Ascend acquired the division when it bought Stratus Computer Inc. for about \$800 million in October. At the time, Ascend announced it would sell all its non-telecommunications business units, including enterprise computing and software operations. The new company, which will restore the name Stratus Computer and be based in Marlboro, Massachusetts, provides servers to large businesses.

(AP, NYT, Bloomberg)

A Graphics Highflier Comes Down to Earth

By Elizabeth Corcoran

Washington Post Service

SAN FRANCISCO — Years ago, Silicon Graphics Inc. made a promise to its customers: to build powerful computers for displaying complex graphics at a price "for the masses."

On Monday, executives say, it

made good on that pledge. Silicon Graphics rolled out the first in a new line of computers that use Intel Corp.'s microprocessors and Microsoft Corp.'s Windows NT operating system. It is a dramatic change for a company that has long prided itself on building its systems around its own computer chips and

software. The move also represents, the company hopes, the best way for returning to profitability. Silicon Graphics lost \$44 million on sales of \$616 million in the quarter that ended Sept. 30, the most recent in a chain of red-ink quarters.

The new products "will allow us to rejuvenate our business," especially in desktop systems, said the company's chief executive, Richard Belluzzo.

In the early 1990s, Silicon Graphics was a highflier, providing the horsepower for some of the early pioneers in computer graphics.

But in recent years, as conventional personal computer chips and software became more powerful,

the point of the announcement Monday, he said, is that Silicon Graphics technology began to look expensive.

"The world is very different now than five years ago," said Todd Johnson, senior vice president for worldwide marketing. The company discovered that providing the very best technology — at a premium price — was not enough to guarantee financial success.

Monday, he said, is that Silicon Graphics is determined to match the low prices of competitors such as Intergraph Corp. and Dell Computer Corp. By around the year 2003, he expects that Silicon Graphics' entire line of computers will be based on Intel and Microsoft technology.

Shopping.com to Go To Compaq for Cash

Bloomberg News

HOUSTON — Compaq Computer Corp. agreed Monday to buy Shopping.com for \$220 million in cash to expand its Internet-commerce offerings.

Compaq, a maker of personal computers and servers, said it would acquire all the shares outstanding of Shopping.com, an online retailer based in Corona del Mar, California, for \$19 each.

Shopping.com shares rose \$4.40625 to close at \$18.59375. Compaq advanced \$2.75 to \$48.25.

Shopping.com will complement Compaq's AltaVista, a site for searching the Internet, Compaq said. AltaVista links to shopping sites run by Compaq partners.

Compaq, based in Houston, is looking to lure more consumers with on-line shopping and search capabilities, and trying to show its corporate customers that it can run an electronic-commerce site that serves millions.

"AltaVista is underutilized," said Bill Milton, an analyst at Brown Brothers

Harriman & Co. in New York. "It's such a small investment for these guys, it's almost a no-lose situation."

The U.S. Securities and Exchange Commission has been investigating possible market manipulation of Shopping.com's shares since early last year. Trading in Shopping.com's shares was halted by the SEC for two weeks in March after it became suspicious of wild swings in the company's stock price.

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INTEREST RATES

Monday, Jan. 11

Government Debt

3-month 4-month 1-year 2-year 5-year 10-year

British 5.50 4.27 3.42 3.04 2.42 2.02

France 2.99 2.93 2.64 2.59 2.59 2.59

Germany 3.04 3.23 3.23 3.27 3.27 3.27

Italy 3.10 3.23 3.23 3.23 3.23 3.23

Japan 3.25 3.25 3.25 3.25 3.25 3.25

Spain 3.00 2.85 2.85 2.85 2.85 2.85

United States 4.40 4.40 4.40 4.40 4.40 4.40

Yield 4.40 4.40 4.40 4.40 4.40 4.40

Source: Bloomberg.

Stock Indexes

SP 500 COMP INDEX (CBOE)

1,000 900 800 700 600 500

1,000 900 800 700 600 500

1,000 900 800 700 600 500

1,000 900 800 700 600 500

1,000 900 800 700 600 500

INTERNATIONAL INVESTING

Tiptoeing Through the Minefield: Fund Chiefs Pick Next Hot Spots

By Rick Gladstone
New York Times Service

NEW YORK — South Korea is reviving. Thailand is not far behind, Europe may be less sexy than it looks, and Latin America is a minefield. As for Russia, it is an investor's version of the place you go to after losing at the video game Mortal Kombat: a long, hard fall into a pit full of spikes.

These are the themes that emerge from a sampling of some top-performing international fund managers — leaders both in the fourth quarter of 1998 and the longer term.

Burned by bad bets the past two years in Eastern Europe, Asia and Latin America, they are treading carefully through the global economic uncertainties looming this year, with few taking big gambles.

Within the countries they deem less risky, the professionals see some un-

dervalued stocks, but they are concentrating mainly on relatively strong, established businesses that appear to be in the best positions to weather unforeseen storms.

Finding relative safety in emerging markets is the bigger challenge. "There's some value to be found in the wreckage, but it's worrisome," said Lilie Clemente, chief executive of Clemente Capital, a New York-based investment company. She manages Citibank Global Equity fund and other international funds.

Ms. Clemente said that although she had seen some improvement in Asia, "we have just stayed away from the volatility in Russia."

"We used to be overweighted in Latin America, and now we're not," she said. "All the uncertainty remains high."

Many managers see the best prospects in three market areas: South

Korea, Thailand and the major economies of Europe.

South Korea: If there is any consensus about where opportunity may lie this year, it is here: A year after it emerged on default, South Korea has reduced indebtedness, upgraded its credit rating, stabilized its currency, reduced interest rates and begun the steps deemed necessary by the International Monetary Fund to restore economic vitality.

The government started restructuring the unwieldy conglomerates, or *chaebol*, considered largely responsible for the country's economic problems. Many of the businesses emerging from that streamlining are basically sound, and their stocks trade at big discounts.

"Six months ago, everyone assumed South Korea's restructuring would fail, and now it's starting to dawn on everyone that it might work," said Mark Headley, a co-manager of the Matthews

Korea and Matthews Pacific Tiger funds, both of which ranked among the top international stock funds in the final quarter of 1998, largely because of a resurgence in South Korean stocks.

Mr. Headley said he especially liked Samsung Electronics, a leading maker and exporter of televisions, computers, memory chips and telecommunications equipment that has benefited from the overhaul of the *chaebol*. It is attractive, he said, because the electronics business has been separated from a financially distressed sibling, Samsung Automotive, which is no longer a drag on the stock. Its price more than doubled to 79,000 won (\$67) at year-end from 32,599 won in September.

"Samsung is the obvious big blue chip, but you start realizing there are a lot of situations like that," Mr. Headley said.

He also likes Hana Bank, a survivor in a drastic winnowing of South Korean

banks. Hana's stock finished 1998 at 13,300 won, more than doubling after early November. Even so, it still trades at less than 12 times 1999 estimated earnings, about half the ratio of many large U.S. commercial banks.

Mr. Headley said he began acquiring Samsung shares a number of years ago, when they traded at roughly 100,000 won, and Hana shares in late 1997, when they cost about 5,000. Although he declined to specify where he thinks either stock is going this year, Mr. Headley said, "I think the Korean market in general has the potential to double again."

Thailand: The first of the Asian economies to plunge into crisis in 1997 when its currency, the baht, tumbled in value, Thailand is also among the first to show promise of a comeback.

Ms. Clemente, who recently returned from a three-week trip to Asia, said the economic outlook for Thailand was

slowly improving, the baht had strengthened, and the "real economy" was "showing signs of bottoming out."

Ms. Clemente said she liked three Thai stocks that stood to benefit from an economic revival: BEC World PCL, a leading entertainment conglomerate that has a government concession for one of the country's four television channels; Bangkok Bank PCL, the most dominant of the three big Thai banks, and Starm Cement Co., a leading maker of construction materials, auto accessories and petrochemicals.

BEC and Bangkok Bank shares performed poorly in 1998, but shares of Starm, which as a construction company is considered a leading economic indicator, more than doubled in the last quarter, to 560 baht (\$16). Ms. Clemente said the stock could reach 1,000 baht in the next 12 to 18 months.

She said shares of BEC, which closed the year at 200 baht, could rise to 360, and that Bangkok Bank, which finished 1998 at 52 baht, could reach 100.

Europe: Invigorated by optimism over its new 11-nation single currency, the euro, Europe still appears to hold much promise. But some global fund managers are restrained in their opinions, partly because the economic effects of monetary union are not yet clear. There is also continuing uncertainty over the Russian economy and how any further deterioration could affect Germany, an important Russian trading partner.

Given that, some fund managers are looking mainly at big European-based multinational businesses that can do well whether or not Europe prospers. Steve Silverman, portfolio manager of the Merrill Lynch Global Value C fund, said he favored a couple of big European companies: Cadbury Schweppes PLC of Britain and Nestle SA of Switzerland.

Although both are essentially in the food business, Mr. Silverman said, Cadbury's strength is its Dr Pepper brand, one of the world's fastest-growing soft drinks, while Nestle's is its successful diversification away from its historical mainstay, coffee.

His fund has been buying both stocks in the past few years, and they have appreciated sharply. Cadbury rose nearly 70 percent last year, and Nestle rose nearly 42 percent.

Other managers are more exposed to the European economies, betting that the long-term benefits of the euro will make the current prices of some stocks look low in a few years, particularly those of the large and technologically advanced companies that will find it more efficient to do business in one currency in place of 11.

What's Behind Amazon.com's Boom?

By Doreen Carvalho
New York Times Service

NEW YORK — For Amazon.com, the best-seller that really mattered last week was not a book title, but the company's stock. Whether it was simply Internet frenzy or a further sign that on-line commerce may require its own investment calculus, the company's shares had a remarkable run.

Amazon.com Inc., an Internet bookseller that has yet to report a profitable quarter since going public in May 1997, saw its share price soar nearly 50 percent in the first trading week of the new year. Since the beginning of December, the stock has climbed 150 percent.

Some of the run-up last week came in response to news — a stock split, word of robust holiday sales of the company's books and compact disks, a deal to acquire a new warehouse. But mainly, optimistic investors seemed willing to buy Amazon.com shares at any price.

"How can you explain this behavior?" said Rick Berry, an analyst in Atlanta with J.P. Turner & Co., who is advising investors to sell Amazon.com's stock. "It is avairic in its most pure form. It's the 'greater fool' theory, which is that someone buys stock in the hope that someone is going to come from behind and buy it for even more."

Mr. Berry said the market surge last week in Amazon would probably represent a buying climax, and he said he expected the stock to start falling 30 percent to 50 percent in the first quarter.

But other analysts see an underlying

logic, even if it does not conform to conventional investing theory.

On Tuesday, with Amazon.com's stock price booming and the Seattle-based company announcing a 3-for-1 stock split, Amazon.com said its fourth-quarter sales had quadrupled to \$250 million as its electronic "store" drew more than a million new customers in the holiday season, when it started expanding its product lines to include stuffed toys and consumer electronic goods.

That expansion impresses Derek Brown, an analyst with Volpe Brown Whelan in San Francisco, who said investors were speculating on the company's future prospects.

"Amazon's sales have gone from nowhere to \$250 million," said Mr. Brown, who added that its fourth-quarter sales had exceeded his expectations by 30 percent to 40 percent. "They're on a run rate for a billion dollars a year. That revenue used to be going to traditional booksellers. I think Amazon is taking market share and expanding the market, and the question is, who are they taking market share from?"

The third-place Internet bookseller, Borders Group, has suffered from the view that the bookstore chain has outinvested aggressively enough in the Internet. Its new chief executive, Philip Pfeffer, said in late December that the company needed to start doing more to promote its activities on the Internet, even as it continued a rapid international expansion of its stores.

Barnes & Noble Inc. has seen its own



electronic store remain lodged in the No. 2 spot and is losing money itself. But Bertelsmann AG of Germany is its new partner in the venture, and Bertelsmann's new chief executive, Thomas Middelhoff, predicts that Barnesandnoble.com will overtake Amazon.com next year.

Last week, Barnes & Noble announced that its on-line sales in the seven-week holiday period that ended Jan. 2 rose to \$17.8 million, nearly quadruple the year-earlier total.

But can the more traditional booksellers beat the upstart Amazon.com in the publicity war?

"I think one of the biggest reasons behind Amazon's success is the fact that they do have brand momentum — Amazon gets a tremendous amount of free publicity," Mr. Brown said. "Investors could lose interest in them, but right now they are the dominant e-commerce player, and there is little to suggest that they won't be dominant in the future."

Very briefly:

• Assets managed by direct-marketed, or no-load, fund companies in 401(k) and defined-contribution retirement plans nearly quadrupled to \$52.9 billion in 1997 from \$13.6 billion in 1996 and accounted for 49.4 percent of all money flowing into such funds, according to a study by Cerulli Associates, a research and consulting firm in Boston. Although 1998 numbers are not yet available, the trend is believed to have continued last year, the company said.

• The Vinik Partners hedge fund, managed by Jeffrey Vinik, rose about 45 percent after fees, beating the 1998 returns of both the Standard & Poor's 500 Index and his former fund, Fidelity Investments' flagship Magellan Fund.

• The Kansas City Board of Trade is trying to find out whether investor enthusiasm for Internet-related stocks spills over to futures and options. If federal regulators give the go-ahead, the exchange will offer options and the first-ever futures tied to Internet shares, based on an index of 50 stocks such as Amazon.com, which sells books and compact disks over the Internet, and Lycos Inc., a Web navigator.

• Japanese investors bought a net 970.4 billion yen (\$8.7 billion) of foreign bonds in December as investors sought higher returns overseas. Investors also bought a net 103.6 billion yen of foreign stocks last month, the Ministry of Finance said in a preliminary report. Final figures for December will be released in February. Foreign investors bought a net 78.8 billion yen of Japanese bonds and 94.8 billion yen of Japanese stocks in December, the ministry said.

His fund has been buying both stocks in the past few years, and they have appreciated sharply. Cadbury rose nearly 70 percent last year, and Nestle rose nearly 42 percent.

Sodexho and the Quality of Daily Life.

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REMOTE SITE MANAGEMENT • SERVICE VOUCHERS AND CARDS • RIVER CRUISES

Focus on synergies, organic growth and cash flow

A very clear strategy

To pursue the current phase of consolidation with a focus on:

- development of synergies in every aspect of our business,
- organic growth speed up,
- cash flow improvement.

Positive Outlook

For the current fiscal year, based on currently available data and on exchange rates on Sept. 1, 1998, when fiscal year began, consolidated sales revenues should reach FRF 57 billion, operating profit is expected to exceed FRF 3 billion and recurring earnings per share should increase by 20%.

A successful organic growth.

Food and Management Services:

Alcatel corporate headquarters (1,000 people) and the schools of Marseille (30,000 students) and Grenoble (18,000 students) in France; Axa 18 sites and 5,000 people in the United Kingdom; Sabena in Belgium; Philips headquarters in Amsterdam and the Haage-Hogeschool in the Netherlands (15,000 students); Danderyd Hospital in Sweden (1400 beds); and La Compania Minera Antamina in Peru (15,000 people).

Service Vouchers and Cards:

The Belgian Post Office in Brussels (20,000 users) and the Association of State of Rio Grande Do Sul's Companies in Brazil (500,000 users).

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All you need to know about the Euro

NEW MONEY

There's no doubt, the EMU heralds dramatic changes for the world. In an overview of the new order, we cover the economics and politics behind the shift and take a look at possible consequences.

EMU ECONOMICS

Lower transaction costs, more competition and increased pressure on social costs are just some of EMU's anticipated effects. We examine the specific changes that EMU will create in the European economy.

IMPACT ON FINANCE

The greatest impact of EMU may be felt in financial markets. An examination of how EMU will change the way that Europe raises capital — and what that capital is used for.

BEING EUROPEAN

The new Europe is about more than money and finance. From partying in Ibiza to opera, from football superleague to the strange ways of Brussels — what binds Europeans together.

ONLY THE BEGINNING

EMU is just the first ripple in the pond; the next wave may be growing political integration. What forms will this integration take? How will this affect the East European states who want to join the EU? And how will EU enlargement mesh with NATO expansion?

EMU ESSENTIALS

Consumer Information: A detailed guide to EMU, from potential benefits to pitfalls, designed especially for consumers. We look at how EMU may affect workers, tourists, employers and employees, taxpayers, investors, house owners and shoppers — and provide a handy list of resources to keep you in the know and who to complain to when things go wrong.

For the most comprehensive coverage on the coming of the Euro, buy a copy today of Newsweek's special issue, "Euroland! New Money for the Old World".



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Expansion throughout the year

A decisive event in Sodexho's history: the merger of its North American Food and Management Services business with that of Marriott Management Services.

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NASDAQ

Monday's 4 P.M.

The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

72 Hours

Monday's 4 P.M.

NYSE

Monday's 4 P.M. Close

(Continued)

the latest one

Monday's 4 P.M. Close
The 150 most traded stocks of the day,
up to the closing on Wall Street.

up to the closing on Wall Street.
The Associated Press.

THE VENDEE / 103

AMEX

SPORTS

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TUESDAY, JANUARY 12, 1999

WORLD ROUNDUP

A Delay in France

ATHLETICS A French court delayed its decision on Monday in a case that could open the door to many East European athletes seeking work in the European Union.

The lawsuit was brought by the Polish basketball player Lilia Malaja, who has been offered a contract by Racing Club de Strasbourg but has not been able to play because of curbs on the number of foreigners allowed to represent French teams.

No contract barriers are in place for European Union citizens, and Malaja, 31, has asked a court in the eastern French city of Strasbourg to overthrow restrictions imposed on East Europeans.

A verdict had been scheduled for Monday, but the court is not now expected to give its opinion until either Tuesday or Wednesday, according to Malaja's lawyer.

A Victory and a Run

TEENNIS Alex Corretja, the world No. 3, made a winning start to the new year on Monday, beating the German Hendrik Dreesmann, 4-6, 6-3, 6-3, in a first-round match at the Sydney International.

After winning in temperatures pushing into the high 30s centigrade (90s Fahrenheit), Corretja was ordered to run around a nearby park for 30 minutes by his fitness trainer.



Alex Corretja cooling down during his match on Monday.

Panel Links 8 Members Of IOC to Bid Scandal

Two Committee Members Deny Allegations

By Jere Longman
New York Times Service

NEW YORK — An internal ethics panel of the Salt Lake City Olympic Organizing Committee has linked eight members of the International Olympic Committee to a scandal involving cash payments, free medical care, tuition payments and excessive gifts during the bidding for the 2002 Winter Games, an Olympic official said.

The official also said Roger Jackson, a Canadian, had emerged as a possible interim chief operating officer of the Salt Lake Organizing Committee as it seeks replacements for its top two organizers, who resigned on Friday. Mr. Jackson was described as a member of the organizing committee of the 1998 Winter Games in Calgary, Alberta.

Tam Welch, who headed the Salt Lake City bid committee, told The Desert News of Salt Lake City that he made a \$50,000 cash payment to Jean-Claude Ganga, an IOC member from Congo Republic, and contributed \$10,000 to the mayoral campaign of Sergen Santander Fantini, an IOC member from Santiago, Chile.

[Mr. Ganga denied any wrongdoing in a weekend interview with French radio. The Associated Press reported Monday from Paris: "I have done nothing wrong," he said. "I will not become rich because I voted for Salt Lake City." Mr. Santander, president of the Chilean Olympic Committee, also denied Monday that he had accepted bribes from the bid committee, Agence

France-Press reported from Santiago. He said he had voted for the Swiss contender city of Sion. "I never received any money, nothing," he said.]

Mr. Welch said Frank Joklik, who resigned Friday as president of the organizing committee, knew about payments made by the bid committee, an allegation Mr. Joklik has denied. The expenditures were justified and not part of any vote-buying effort, Mr. Welch said.

Mr. Welch denied allegations that the bid committee had hired prostitutes for members of the IOC. "We never bribed anybody," Mr. Welch said. "We never bought a vote. We made contributions as part of the Olympic family, as an obligation we have. It was the responsible thing to do."

Mr. Welch said he made a \$50,000 payment to Mr. Ganga when the IOC member requested help for children in his ravaged African nation.

IOC members linked to tuition payments for their relatives include the late Rene Essomba of Cameroon, David Sibande of Swaziland and Mohamed Bashir Attabarulah of Libya. The names of other members of the committee linked to the scandal are not known.

IOC Will 'Act Quickly'

The IOC president, Juan Antonio Samaranch, said Monday that the committee would "act very quickly" against any members found guilty of corrupt practices, The Associated Press reported from Warsaw.

Action will be taken when the findings of the IOC inquiry are presented to the IOC executive board on Jan. 24, Mr. Samaranch said. After that, "peace will return to the IOC and we will be united even more than in the past," said Mr. Samaranch, who was in Warsaw to take part in celebrations of the 80th anniversary of the Polish Olympic Committee.

Mayor Will Not Seek 3d Term

The mayor of Salt Lake City, Deedee Corradini, said Monday that she would not seek a third term, but she said her decision had nothing to do with the bribery scandal surrounding the city's bid to be the site of the 2002 Winter Games, The Associated Press reported.

Ms. Corradini gained an international profile as a champion of the city's bid for the Olympics.

Sydney Games Lose Texaco as Sponsor

The Associated Press

SYDNEY — A worldwide oil giant and record low prices may make it difficult for Sydney's Olympic organizers to find a replacement oil sponsor after Texaco-Caltex dropped plans to sponsor the 2000 Summer Games.

The oil giant pulled out of a memorandum of understanding on Monday after 12 months of negotiations, wiping out a planned investment of 10 million Australian dollars (\$6.3 million). Instead, Texaco said it had signed as a major sponsor of the Salt Lake City Winter Games in 2002.

Texaco's 20-year deal with the Sydney Organizing Committee was signed in 1991. Texaco's 20-year deal with the Sydney Organizing Committee was signed in 1991.

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Texaco's 20-year deal with the Sydney Organizing Committee

ART BUCHWALD

O.K., O.K. I'm Sorry

NEW YORK — I had to clear my desk before I got serious about 1999. I was amazed to find so much mail I hadn't answered.

One letter I had ignored said: "I'm sorry. I'm really sorry. I'm sorry. I hurt my family and my friends and, most of all, the American people. I am really sorry."

The letter was signed, "John Gotti, Marion Feder-Buchwald al Prison."

Another one I failed to answer said: "Dear Viewer, Have you ever been seriously abused by your dog? We are looking for volunteers to appear on a show we are doing titled 'How Many French Poodles Does It Take to Screw in a Light Bulb?'" The letter was signed by Jerry Springer.

A memo I never sent was discovered under my papers: "Cathy: Please write to the IRS and tell them I believe

they made a mistake and they are entitled to far more money than they thought. I'll send in the check soonest. I'm sorry, I'm really sorry."

Another memo: "Send Ken Starr an RSVP saying that I can't appear in front of his grand jury as I'm going to the race track that day. I'm sorry, I'm really sorry."

Cathy: Fax Fidel Castro — "Will trade two Chinese Democratic Party donors for a Cuban pitcher and third baseman. I'm sorry we couldn't offer you more."

I found a Christmas card in my top drawer from Monica Lewinsky: "I have to talk to you. I have to talk to somebody. Please talk to me. I have so much to say. I'm sorry, I'm really sorry."

While clearing off my desk I found a memo pad that had reminders as to what columns I wanted to write in 1999.

Do a poll of men who took

better off today than they were a year ago. Interview those who respond "don't know" on the off chance there may be a story there.

Find out the real reason why waiters in restaurants won't allow you to put pepper on your own food.

Discover why offices and corporations leave their records open for everyone to see but lock their washrooms to the public.

If Bill Gates has the public's welfare at heart why doesn't he make house calls?

That seems to have the desk cleared. Uh-oh. There is one more memo I found. All I know is that it says: "If you write about sex in Washington in 1999 say to the public, 'I'm sorry. I'm very sorry.'"

The Woody Show

New York Times Service

NEW YORK — Back to the days of neurosis, off-hand references to Dostoyevsky and the meaning of life.

The Museum of Television and Radio is opening "Woody Allen's Television Days," a two-part screening series at the museum's branches in New York and Los Angeles.

Part I, "Sketches and Ketches," including an appearance by Allen on "The Tonight Show" in 1962, runs until Feb. 18. Part II, "Tell It Again, Woody," including his only TV special, seen on CBS in 1969, runs from Feb. 19 through March 21.

By Mike Zwerin

International Herald Tribune

PARIS — One midsummer evening in 1978, pedestrians on the narrow unpaved main street of Clousier in the Drome region were startled when what looked like a puppet wearing Count Basie's yachting cap leaned out of an old tiny Citroen 2CV and exclaimed: "Hey baby!"

It was Michel Petrucciani. At the time they were the only words of English knew. Living in the city of Montelimar, he was the headliner of Clousier's monthly jam sessions. Provencal musicians were talking about a 15-year-old piano player of Corsican ancestry in a provincial backwater. He already played jazz like an African-American veteran.

It's a good thing he started early because he was out going to last all that long. Petrucciani died last week from a pulmonary infection at 36. He suffered from osteogenesis imperfecta, also known as "glass bones," which stunted his growth and made his bones brittle.

By 15 he had played with the legendary drummer Kenny (Klock) Clarke, who is credited with "discovering" him. Clark Terry, Joe Pass and the bluesman Sugar Blue "discovered" him shortly thereafter. The word was spreading. There is an early photo of Clarke flanked by Petrucciani's brother, the bassist Louis, and his father, Tony, a Wes Montgomery-style guitarist, who was carrying Petrucciani in his arms.

Later Petrucciani grew chunkier and his bones became somewhat sturdier and he could get around astonishingly well on his own with crutches. But when he was young, he had to be carried. Somehow there was always a carrier available. He looked embarrassed, and bemused at the same time. With raised eyebrows behind oversized glasses, his expression seemed to say: "Do you believe what happened to me?"

He was carried by his family and

a succession of buddies. When he began to play with his good friend the French drummer Aldo Romano, and with such respected American musicians as Jim Hall, Lee Konitz and Charles Lloyd, each had their turn carrying him. It was something of an honor to be among those who carried Petrucciani. There were good-natured jokes about forming a club. He inspired good name.

Lloyd had performed his rock-oriented jazz in Tallinn, Estonia, in the Soviet Union, in 1967 with a band of longhairs, including Keith Jarrett and Jack DeJohnette. It was an event; the story was on the front page of *The New York Times*. Then, after "sitting on a mountain pulling metaphysical weeds" in California for most of the 1970s, Lloyd came out of retirement when he met Petrucciani. "Michel changed my life," he said. "Michel

thought I'd never play again."

In August 1980, when he was 17, Petrucciani was sitting between takes at a piano in a remote studio in southern France. It was his first recording, he was a sideman. Still, he was the guiding force. He may not have been the official leader, but he provided the focus.

There was silence while the musicians decided what to play next. Petrucciani asked: "Does anyone know 'Giant Steps'?" An up-tempo John Coltrane tune with fast-moving chords, it was a sort of test that divides the men from the boys. Nobody wanted to admit they might not pass it. Suddenly, Petrucciani announced: "Well, I do," and he erupted with great confidence into a solo versioo at break-neck speed.

His hands were large enough to span a tenth on the keyboard, an essential minimum for a normal professional pianist. As the years went by, he learned that he could live a normal life in other ways. Women were attracted to him. He had three important relationships and two children, one who also has "glass boos" and one adopted. He was proud to have children. He



Petrucciani was an "avatar," said Charles Lloyd.

said: "My father never expected grandchildren from me. I think he respects me now."

His sense of humor, however, was always solid. The accent was no irony. Although he frequently predicted that he would not live very long, his friends did not take him seriously. In retrospect, he was lucky to have lasted as long as he did. Even a small fall could have been fatal years earlier.

As a young pianist, he'd had to sit on a special stool to enable him to get a proper perspective on the keyboard; and his tiny legs pumped a custom-built pedal extension. In a musical sense, his disease was a blessing in the form of a handicap.

Like being blind, there was no choice other than the piano. He could not go and ride his bike or turn on television. He practiced for as much as six or seven hours a day. But it was a lot more than practice. It was *The Gift*. The Muse had chosen to give *The Gift* to Michel Petrucciani.

It was his confidence as much as his ability that caught your attention. He had no doubts about himself. He could do just about anything, and he kept learning to do more. As he grew older and better known, he became very well paid. In 1998 he played something like 140 concerts. He acquired more maturity, technique and individuality — particularly his solo playing. His between-tunes microphone patter drew good-natured laughter. He lost some soul along the way, becoming increasingly dependent on the applause. And it was always there.

His attitude, his talent, his humor and his take-no-prisoners approach to improvisation, combined with his affliction and the way it made him look, put him in a unique place. Cliques, racism and phobias disappeared when he was around. Everybody was honored to play with him — black and white, old and young, French and American, traditional and avant-garde.

After his death, the French press called him, along with Django Reinhardt, one of the best French jazz musicians ever. And one of the very few to have become a star in America. True enough, but he was way beyond such everyday qualifications.

Petrucciani reminded people of Dostoyevsky's "Idiot" — the "wholly beautiful man" whose function it was to disseminate a new state of being. He led them to re-evaluate their definitions of ugliness and beauty and of bad and good luck. He was a redeemer. Charles Lloyd called him an "avatar." It can be said without rhetoric that he was the personification of the victory of the spirit over the flesh.



Peri Gilpin, left, Kelsey Grammer, David Hyde Pierce and Jane Leeves of "Frasier" with their People's Choice award for best TV comedy series.

FASHION-CHALLENGED actors will have a half-hour of safe time before the Academy Awards. Geena Davis has been named the host of an officially sanctioned pre-Oscar show on March 21, muscling in on Joan Rivers and others who have made watching the stars walk into the ceremony a lucrative business. "The one thing I can guarantee that it will not include is anyone yelling, 'Who made your dress?'" Davis said. During Davis's show on ABC, other networks will be barred from televising the stars as they enter the theater.

Rod Stewart says he hopes his estranged wife, Rachel Hunter, will return. They announced their separation last week. "I still love Rachel very, very much," the rocker told Britain's Sunday People tabloid. "There has been no bitter bust-up and no one else is involved. It is not about something I've done and it's not about something she has done."

Dean Felber, bass player for Hootie

and the Blowfish, has married Lanrie Hutchinson, an editor at Waterfront Publishing Inc. in Charleston, South Carolina. Darius Rucker, the band's lead singer and last unmarried member, joined guitarist Mark Bryan and drummer Jim Sonefeld to serenade the couple Saturday for their wedding.

"Titanic" was named the best movie of 1998 and Tom Hanks and Saundra

Bullock were named favorite film stars at the People's Choice Awards ceremony. The television stars Tim Allen and Helen Hunt and the singers Garth Brooks and Celine Dion also were among the honorees. "Frasier" and the now defunct "Seinfeld" tied for best TV comedy series. Three "all-time favorite" honors were given to Harrison Ford for movies, Bill Cosby for TV and Elton John for music. Most of the winners were chosen by a Gallup Poll representing 212 million Americans 18 years old and up. The all-time favorites were picked by a combination of polling and Internet voting.

Marvio Hamlisch will leave the Baltimore Symphony Orchestra next year to become the principal pops conductor for the National Symphony in Washington. Hamlisch, who wrote the score for the Broadway hit "A Chorus Line" and several scores for films and television, will retain his post as the pops conductor of the Pittsburgh Symphony.

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